CHAMPIONS ONCOLOGY, INC.
Form 10-Q
September 12, 2012

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

þ	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended July 31, 2012
	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 0-17263

CHAMPIONS ONCOLOGY, INC.

(Exact name of registrant as defined in its charter)

Delaware *(State or other jurisdiction of* *incorporation or organization)*	52-1401755 *(I.R.S. Employer* *Identification No.)*
One University Plaza, Suite 307 Hackensack, New Jersey *(Address of principal executive offices)*	07601 (Zip Code)

(201) 808-8400

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 þ No ¨

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

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 ¨ Accelerated filer ¨ Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company þ

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

The number of Common Shares of the Registrant outstanding as of August 31, 2012 was 47,037,442.

DOCUMENTS INCORPORATED BY REFERENCE - None

INDEX TO FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JULY 31, 2012

PART I - FINANCIAL INFORMATION

Item 1.	Financial Statements.	
Condensed Consolidated Balance Sheets as of July 31, 2012 (unaudited) and April 30, 2012		2
Unaudited Condensed Consolidated Statements of Operations for the Three Months Ended July 31, 2012 and 2011		3
Unaudited Condensed Consolidated Statements of Comprehensive Loss for the Three Months Ended July 31, 2012 and 2011		3
Unaudited Condensed Consolidated Statements of Cash Flows for the Three Months Ended July 31, 2012 and 2011		4
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	14
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	17
Item 4.	Controls and Procedures	18

PART II - OTHER INFORMATION

Item 1.	Legal Proceedings	18
Item 1A.	Risk Factors	18
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	18
Item 3.	Defaults Upon Senior Securities	18
Item 4.	Mine Safety Disclosures	18
Item 5.	Other Information	18
Item 6.	Exhibits	19

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CHAMPIONS ONCOLOGY, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

	July 31, 2012 (unaudited)	April 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$2,916	$4,716
Accounts receivable, net	639	584
Prepaid expenses and other current assets	208	205
Total current assets	3,763	5,505
Restricted cash	188	188
Property and equipment, net	525	560
Goodwill	669	669
Total assets	$5,145	$6,922
LIABILITIES, REDEEMABLE COMMON STOCK AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$1,291	$1,676
Accrued liabilities	344	625
Deferred revenue	918	1,185
Total current liabilities	2,553	3,486
Warrant liability	270	555
Total liabilities	2,823	4,041
Redeemable common stock; $0.001 par value; 12,533,333 contingently puttable common shares outstanding as of July 31, 2012 and April 30, 2012	8,159	8,159

Stockholders' equity:		
Preferred stock, $10 par value; 56,075 shares authorized; no shares issued and outstanding as of July 31, 2012 and April 30, 2012	-	-
Common stock, $.001 par value; 125,000,000 shares authorized, including redeemable common stock, 37,740,345 shares issued and 34,504,109 shares outstanding as of July 31, 2012 and April 30, 2012	38	38
Treasury stock, at cost, 3,236,236 common shares as of July 31, 2012 and April 30, 2012	(1,252)	(1,252)
Additional paid-in capital	21,943	21,204
Accumulated deficit	(26,466)	(25,143)
Accumulated other comprehensive loss	(100)	(125)
Total stockholders' deficit	(5,837)	(5,278)
Total liabilities, redeemable common stock and stockholders' deficit	$5,145	$6,922

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

2

CHAMPIONS ONCOLOGY, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in Thousands Except Per Share Amounts)

	Three Months Ended July 31,	
	2012	2011
Operating revenue:		
Personalized oncology solutions	$ 918	$ 601
Translational oncology solutions	1,188	1,033
Total operating revenue	2,106	1,634
Costs and operating expenses:		
Cost of personalized oncology solutions	772	483
Cost of translational oncology solutions	699	419
Research and development	387	541
Sales and marketing	709	688
General and administrative	1,138	1,717
Total costs and operating expenses	3,705	3,848
Loss from operations	(1,599)	(2,214)
Other income (expense):		
Change in fair value of warrant liability	285	177
Other expense	(6)	-
Total other income	279	177
Loss before provision for income taxes	(1,320)	(2,037)
Provision for income taxes	3	-
Net loss	$ (1,323)	$ (2,037)
Net loss per common share outstanding, including redeemable common stock, basic and diluted	$ (0.03)	$ (0.04)
Weighted average common shares outstanding, including redeemable common stock, basic and diluted	47,067,000	46,420,000

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Dollars in Thousands)

Net loss	$ 1,323	$ (2,037)

Foreign currency translation adjustment	25	8
Comprehensive loss	$ 1,298	$ (2,029)

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

3

CHAMPIONS ONCOLOGY, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

	Three Months Ended July 31,	
	2012	2011
Operating activities:		
Net loss	$ (1,323)	$ (2,037)
Adjustments to reconcile net loss to net cashx used in operating activities:		
Stock-based compensation expense	739	1,014
Depreciation expense	54	29
Change in fair value of warrant liability	(285)	(177)
Changes in operating assets and liabilities:		
Accounts receivable	(55)	(651)
Grant receivable	-	13
Prepaid expenses, deposits and other	(3)	(65)
Accounts payable	(385)	(82)
Accrued liabilities	(281)	(38)
Deferred revenue	(267)	459
Net cash used in operating activities	(1,806)	(1,535)
Investing activities:		
Purchase of property and equipment	(19)	(95)
Net cash used in investing activities	(19)	(95)
Financing activities:		
Proceeds from exercise of options and warrants	-	4
Net cash provided by financing activities	-	4
Exchange rate effect on cash and cash equivalents	25	8
Decrease in cash and cash equivalents	(1,800)	(1,618)
Cash and cash equivalents, beginning of period	4,716	10,457
Cash and cash equivalents, end of period	$ 2,916	$ 8,839

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

4

CHAMPIONS ONCOLOGY, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization, Use of Estimates and Basis of Presentation

Champions Oncology, Inc. (the “Company”), is engaged in the development of advanced technology solutions and services to personalize the development and use of oncology drugs. The Company’s Tumorgraft Technology Platform is a novel approach to personalizing cancer care based upon the implantation of human tumors in immune-deficient mice. The Company uses this technology to derive revenue for two customer groups: Personalized Oncology Solutions (“POS”) and Translational Oncology Solutions (“TOS”). POS assists physicians in developing personalized treatment options for their cancer patients through tumor specific data obtained from drug studies and related personalized oncology services. The Company’s TOS business offers a technology platform to pharmaceutical and biotechnology companies using proprietary Tumorgraft studies, which have been shown to be predictive of how drugs may perform in clinical settings.

The Company has two operating subsidiaries: Champions Oncology (Israel), Limited and Champions Biotechnology U.K., Limited. For the three months ended July 31, 2012 and 2011, there were no material revenues earned by these subsidiaries. All material intercompany transactions have been eliminated in consolidation. The financial statements of the Company’s foreign subsidiaries, all of which have a functional currency other than the U.S. dollar, have been translated into the U.S. dollar for each period presented. Translation gains and losses are recognized as a component of accumulated other comprehensive loss. The Company is subject to foreign exchange rate fluctuations in connection with the Company’s international operations.

These unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). All significant intercompany transactions and accounts have been eliminated. All figures are presented in U.S. dollars, except share data, or except where expressly stated otherwise. Certain information related to the Company’s organization, significant accounting policies and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) has been condensed or omitted. The accounting policies followed in the preparation of these unaudited condensed consolidated financial statements are consistent with those followed in the Company’s annual consolidated financial statements for the year ended April 30, 2012, as filed on Form 10-K. In the opinion of management, these unaudited condensed consolidated financial statements contain all material adjustments necessary to fairly state our financial position, results of operations, and cash flows for the periods presented and the presentations and disclosures herein are adequate when read in conjunction with the Company’s Annual Report on Form 10-K for the year ended April 30, 2012. Certain reclassifications have been made to the prior period financial statement amounts to conform to current presentation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include valuation assumptions used for share-based compensation and warrant liability, accrued expenses carrying amounts of long-lived assets and deferred taxes.

Basic loss per share is calculated by dividing loss available to common shareholders by the weighted average number of common shares (including redeemable common stock) outstanding for the period. Diluted loss per share is calculated based on the weighted average number of common shares (including redeemable common stock) outstanding for the period, plus the dilutive effect of common stock purchase warrants, stock options and restricted stock units using the treasury stock method. Contingently issuable shares are included in the calculation of basic earnings per share when all contingencies surrounding the issuance of the shares are met and the shares are issued or issuable. Contingently issuable shares are included in the calculation of dilutive earnings per share as of the beginning of the reporting period if, at the end of the reporting period, all contingencies surrounding the issuance of the shares are satisfied or would be satisfied if the end of the reporting period were the end of the contingency period. Due to the net losses for the three months ended July 31, 2012 and 2011, basic and diluted loss per share were the same, as the effect of potentially dilutive securities would have been anti-dilutive.

CHAMPIONS ONCOLOGY, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table reflects the total potential share-based instruments outstanding at July 31, 2012 and 2011 that could have an effect on the future computation of dilution per common share:

	Three Months Ended July 31,	
	2012	2011
Stock options	15,103,955	14,515,948
Warrants	1,416,667	1,897,017
Restricted stock	12,500	50,000
Total common stock equivalents	16,533,122	16,462,965

Note 2. Recently Issued Accounting Pronouncements

During September 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2011-08, “Testing Goodwill for Impairment” (“ASU 2011-08”). ASU 2011-08 is intended to simplify the testing of goodwill for impairment by permitting an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test, which was required for all companies that report goodwill. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, although early adoption is permitted. The Company has adopted this standard, which had no impact on its financial position or results of operations.

During June 2011, the FASB issued ASU No. 2011-05, “Presentation of Comprehensive Income” (“ASU 2011-05”). ASU 2011-05 provides for the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income (“OCI”) either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Regardless of which format is chosen, the amendments establish a requirement for entities to present on the face of the financial statements reclassification adjustments for items that are reclassified from OCI to net income in the statement(s) where the components of net income and the components of OCI are presented. The amendments in ASU 2011-05 are effective, on a retrospective basis, for public entities for interim and annual periods beginning after December 15, 2011; however, during December 2011 the FASB issued ASU No. 2011-12, which defers those changes in ASU 2011-05 that relate to the presentation of reclassification adjustments. The Company has adopted this standard as of April 30, 2012, which had no impact on its financial position or results of operations.

During May 2011, the FASB issued ASU No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS" ("ASC 2011-04"). The amendments in ASC 2011-04 were issued in order to align the fair value measurement and disclosure requirements in GAAP and International Financial Reporting Standards. Consequently, the amendments change the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. However, many of the amendments in ASC 2011-04 will not result in a change in the application of the requirements in ASC 820, Fair Value Measurement. The amendments in ASU 2011-04 are effective, on a prospective basis, for public entities for interim and annual periods beginning after December 15, 2011. The Company has adopted this standard as of April 30, 2012, which had no impact on its financial position or results of operations.

Note 3. Property and Equipment

Property and equipment is recorded at cost and consists of laboratory equipment, furniture and fixtures, and computer hardware and software. Depreciation is calculated on a straight-line basis over the estimated useful lives of the various assets ranging from three to seven years. Property and equipment consisted of the following (in thousands):

CHAMPIONS ONCOLOGY, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	July 31, 2012 (unaudited)	April 30, 2012
Furniture and fixtures	$ 58	$ 58
Computer equipment and software	522	287
Laboratory equipment	167	167
Leasehold improvements	2	2
Software in-progress	-	216
Total property and equipment	749	730
Less: Accumulated depreciation	(224)	(170)
Property and equipment, net	$ 525	$ 560

Depreciation expense was $54,000 and $29,000 for the three months ended July 31, 2012 and 2011, respectively.

Note 4. Share-Based Payments

The Company has in place a 2010 Equity Incentive Plan, a 2008 Equity Incentive Plan, and a Director Compensation Plan of 2010. In general, these plans provide for stock-based compensation in the form (i) Non-statutory Stock Options; (ii) Restricted Stock Awards; and (iii) Stock Appreciation Rights to the Company's employees, directors and non-employees. The plans also provide for limits on the aggregate number of shares that may be granted, the term of grants and the strike price of option awards.

Stock-based compensation in the amount of $739,000 and $1,014,000 was recognized for the three months ended July 31, 2012 and 2011, respectively. Stock-based compensation expense was recognized as follows (in thousands):

	Three Months Ended July 31,	
	2012	2011
General and administrative	570	916
Sales and marketing	82	74
Research and development	24	24

TOS cost of sales	8	-
POS cost of sales	55	-
Total stock-based compensation expense	739	1,014

Stock Option Grants

Black-Scholes assumptions used to calculate the fair value of options granted during the three months ended July 31, 2012 were as follows:

The weighted average fair value of stock options granted during the three months ended July 31, 2012 and 2011 was $0.54 and $0.74, respectively. The Company's stock options activity for the three months ended July 31, 2012 is as follows:

Expected term in years	6.0	
Risk-free interest rates	0.8% to 0.9	%
Volatility	98.5% to 98.8	%
Dividend yield	0	%

7

CHAMPIONS ONCOLOGY, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	Non-Employees	Directors and Employees	Total	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, May 1, 2012	1,410,000	13,456,038	14,866,038	$ 0.88	7.6	$ -
Granted	15,000	236,250	251,250	0.57		
Exercised	-	-	-	-		
Forfeited	-	-	-	-		
Expired	-	(13,333)	(13,333)	0.95		
Change in employee status	-	-	-	-		
Outstanding, July 31, 2012	1,425,000	13,678,955	15,103,955	0.87	7.4	-
Vested and expected to vest as of July 31, 2012	1,425,000	13,678,955	15,103,955	0.87	7.4	-
Exercisable as of July 31, 2012	1,248,333	7,711,677	8,960,010	0.88	6.7	-

Restricted Stock Grants

A summary of the activity related to restricted stock grants is as follows:

	Total Shares	Weighted Average Grant Date Fair Value Per Share
Nonvested, May 1, 2012	25,000	$ 0.75
Granted	-	-
Vested	(12,500)	0.75
Forfeited	-	-
Expired	-	-

Nonvested as of July 31, 2012	12,500	0.75

The aggregate fair value of shares vested during the three months ended July 31, 2012 and 2011 was $5,000 and $43,000, respectively.

Stock Purchase Warrants

As of July 31, 2012, the Company had warrants outstanding for the purchase of 1,416,667 shares of its common stock, all of which were exercisable. Of these warrants, 1,266,667 were issued in connection with the April 2011 financing arrangement and are accounted for as liabilities as further discussed in Note 5. The weighted average exercise price of all warrants outstanding is $0.91. As of July 31, 2012 and April 30, 2012, these warrants had no intrinsic value and had weighted average remaining contractual lives of 3.6 and 3.8 years, respectively.

CHAMPIONS ONCOLOGY, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Note 5. Redeemable Common Stock and Stock Purchase Warrant

On March 24, 2011, the Company entered into a Securities Purchase Agreement with several accredited investors for the sale of an aggregate 12,533,333 shares of the Company's Common Stock at a purchase price of $0.75 per share, or aggregate proceeds of $9.4 million, $0.5 million of which was sold to officers and directors of the Company. As part of this transaction, the Company also issued warrants to purchase an aggregate 1,266,667 shares of Common Stock at an exercise price of $0.90 per share. These warrants expire five years after the closing date, which occurred on April 4, 2011. The Securities Purchase Agreement contains certain anti-dilution protections for the investors and certain registration rights with respect to the shares of Common Stock issued to the investors. Furthermore, investors will have the right to require the Company to redeem the purchased common shares held by such investors (the "Put Option") for cash for $0.75 per share upon a change of control or sale of substantially all of the company's assets. The Put Option will terminate upon the achievement of certain financial milestones by the Company, the sale of 25% of the common shares purchased by an investor, with respect only to the shares owned by such investor, or in certain other circumstances as outlined in the Securities Purchase Agreement.

Due to the Put Option described above, the Company has accounted for Common Stock issued under the Securities Purchase Agreement as temporary equity, which is reflected under the caption "redeemable common stock" on the accompanying condensed consolidated balance sheets. The total amount allocated to these common shares was $8.2 million. This allocation is equal to the total proceeds of $9.4 million, less the amount allocated to the warrants of $0.9 million and is also net of direct and incremental costs associated with the Securities Purchase Agreement of $0.3 million.

The warrants issued in connection with the Securities Purchase Agreement contain certain exercise price reset provisions. Under these provisions, the exercise price of the warrants may be adjusted downward should the Company have future sales of its Common Stock for no consideration or for a consideration per share less than the Per Share Price (as such term is defined in the Securities Purchase Agreement).

The Company has granted demand registration rights in connection with the investment in common shares and the common shares underlying the warrants. These rights include the requirement of the Company to file certain registration statements within a specified time period and to have these registration statements declared effective within a specified time period. If the Company is not able to comply with these registration requirements, the Company will be required to pay cash penalties equal to 1.0% of the aggregate Purchase Price paid by the investors for each 30-day period in which a Registration Default, as defined in the Securities Purchase Agreement, exists. The Company may become subject to these penalty provisions if it fails to have a registration statement for the common

shares declared effective, or to maintain the effectiveness of such registration statement. The total amount of potential penalties under this registration payment arrangement is $41,000 for each 30-day period in which a registration default exists; however, as of the date of this filing and through July 31, 2012, the Company does not believe these penalties to be probable and accordingly, has not established an accrual for such registration payment arrangements.

The Company has accounted for the warrants issued in connection with the Securities Purchase Agreement as a liability based on the exercise price reset provisions described above. This liability, which is recorded at fair value on the accompanying consolidated balance sheets, totaled $0.9 million at the time of the close of the Securities Purchase Agreement. As of July 31, 2012 and April 30, 2012, the fair value of these warrants was $0.3 million and $0.6 million, respectively. The change in fair value of these warrants has been, and will be, recognized as other income (expense) on the Company’s condensed consolidated statements of operations. The fair value of these warrants was calculated by the Monte Carlo simulation valuation method. Assumptions used to calculate the fair value of these warrants were as follows:

	July 31, 2012		April 30, 2012	
Expected term in years	3.7		3.9	
Risk-free interest rates	0.4	%	0.6	%
Volatility	94	%	102	%
Dividend yield	0	%	0	%

The Company will continue to adjust the warrant liability for changes in fair value until the earlier of the exercise of the warrants, at which time the liability will be reclassified to stockholders' equity, or expiration of the warrants.

Note 6. Related Party Transactions

Related party transactions include transactions between the Company and its shareholders, management, and affiliates. The following transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

CHAMPIONS ONCOLOGY, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Consulting Services

During the three months ended July 31, 2012 and 2011, the Company paid one of its directors and former Chief Executive Officer, $30,000 and $18,000, respectively, in consulting fees. During the three months ended July 31, 2012 and 2011, the Company paid certain members of its Board of Directors $48,000 and $16,000, respectively, for consulting services unrelated to their duties as board members. During the three months ended July 31, 2012, there were no expenses incurred from any substantial stockholders of the Company. During the three months ended July 31, 2011, the Company incurred $4,000 in expenses from a substantial stockholder of the Company for consulting fees.

Revenue

During the three months ended July 31, 2012, there were no revenues recognized from companies whose board members were also members of the Company's Board of Directors. During the three months ended July 31, 2011, the Company recognized $20,000 in revenues from companies whose board members were also members of the Company's Board of Directors.

Note 7. Commitments and Contingencies

Operating Leases

As of July 31, 2012, the Company leases the following facilities under non-cancelable operating lease agreements:

- One University Plaza, Suite 307, Hackensack, New Jersey 07601, which, since November 2011, serves as our corporate headquarters. The lease expires in April 2014. We incurred $17,000 of rental costs in the three months ended July 31, 2012 relative to this lease. No such rental costs were incurred during the three months ended July 31, 2011.

- 855 North Wolfe Street, Suite 619, Baltimore, Maryland 21205, which consists of laboratories and office space where we conduct operations related to our primary service offerings. The lease expires in June 2014. The Company incurred $16,000 and $13,000 of rental costs relative to this lease in the three months ended July 31, 2012 and 2011, respectively.

- 17 Hatidhar Street, Ra’anana, Israel, which serves as office headquarters for Champions Oncology, Israel. The lease expires in July 2013. The Company incurred $7,000 of rental costs relative to this lease for the three months ended July 31, 2012 and 2011.

Legal Matters

The Company is party to certain legal matters arising in the ordinary course of its business. The Company has evaluated its potential exposure to these legal matters and noted no such exposures. The Company is not aware of any other matters that would have a material impact on the Company’s financial position or results of operations.

Registration Payment Arrangements

The Company has entered into registration rights agreements in connection with a private placement of its securities, which closed during April 2011 and is discussed more fully in Note 5. This registration rights agreement contains provisions that may call for the Company to pay penalties in certain circumstances. This registration payment arrangement primarily relates to the Company’s ability to file a registration statement within a particular time period, have a registration statement declared effective within a particular time period and to maintain the effectiveness of the registration statement for a particular time period. The Company does not believe it is probable that penalty payments will be made for the registration rights agreement discussed above and, accordingly, has not accrued for such potential penalties as of July 31, 2012 or April 30, 2012.

CHAMPIONS ONCOLOGY, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Note 8. Licensing Agreements

In February 2010, the Company entered into an exclusive option agreement with a Canadian company for which it paid and expensed $40,000 (Canadian) during the Company's fiscal 2010 year. The option agreement granted the Company the exclusive right to review Irinophore C, a nanoparticle drug compound, for the treatment of various forms of cancer, including melanoma, prostate, breast, and lung cancer through April 2011. During the option year, the Company performed various TumorGraft tests on the nanoparticle compound. In March 2011, the Company exercised its option to license Irinophore C, a liposomal formulation of Irinotecan. Under the terms of the agreement, the Company's exercise of the option resulted in amounts due to the Canadian company of $85,000 (Canadian) comprised of the option exercise price and reimbursement to the Canadian company for past patent costs, which was expensed in the Company's fiscal year ended April 30, 2011. The Company satisfied this obligation during fiscal 2012. On the first anniversary of the agreement (March 2012), an additional license fee of $45,000 (Canadian) became due, which is recognized as a liability as of April 30, 2012 and July 31, 2012. As of the date of this report, the Company has satisfied this obligation. Commencing with the second anniversary of the agreement (March 2013), the Company will be obligated to pay a minimum annual royalty of $10,000 (Canadian). Under the terms of the license agreement, the Company will be required to pay up to $3.0 million in development milestones, if achieved. Upon commercialization, the Company would also be required to make royalty and sales milestone payments based upon revenues.

Note 9. Cephalon Agreement

On March 16, 2011, the Company entered into an agreement with Cephalon, Inc., ("Cephalon"), a wholly-owned subsidiary of Teva Pharmaceutical Industries Ltd., pursuant to which the Company conducts TumorGraft studies on proprietary chemical compounds provided by Cephalon to determine the activity or response of a compound in potential clinical indications. In April 2011, Cephalon paid an initiation fee of $1.4 million to the Company, which was initially reflected within deferred revenue on the Company's balance sheet as of April 30, 2011. As models, along with required reports, are delivered, the deferred revenue is being recognized on a proportionate basis in accordance with the Company's revenue recognition policies. Under this agreement, revenues of $177,000 were recognized during the three months ended July 31, 2012. No such revenues were recognized during the three months ended July 31, 2011. The Company anticipates that the studies will be completed within 21months of the execution of the agreement.

Cephalon will, under certain conditions, also pay the Company various amounts upon achieving certain milestones. Potential milestone payments that could be received under the Agreement total $27 million. These milestones are based on the performance of the compounds in preclinical testing and are dependent upon testing the compound in

clinical settings and obtaining FDA approval. No milestones have been achieved to date. In addition, under certain conditions, Cephalon will pay the Company royalties on any commercialized products developed under the Agreement. No royalties have been received or earned to date. Cephalon reserves the right to exercise and pay a one-time fee of in lieu of the milestone or royalty payments. These fees range from $460,000 to $880,000 per compound.

Note 10. Supplemental Schedule of Cash Flow Information

There was no cash paid for interest or income taxes during the three months ended July 31, 2012 and 2011.

Note 11. Grant Income

In October 2010, the Company was notified that it was awarded total cash grants of approximately $1.5 million under the Qualifying Therapeutic Discovery Project program administered under section 48D of the Internal Revenue Code, of which approximately $1.0 million related to qualifying expenses the Company had previously incurred during fiscal 2010 and $0.5 million related to qualifying expenses which the Company expected to incur during fiscal 2011. In November 2010, the Company received approximately $1.0 million related to the 2010 expenditures. The Company received a final payment of $0.5 million related to 2011 expenditures on February 13, 2012.

On August 8, 2011 the Company was notified that it was selected for a tax examination by the Internal Revenue Service ("IRS") on the Application for Certification of Qualified Investments Eligible for Credits and Grants Under the Qualifying Therapeutic Discovery Project program filed under the Patient Protection and Affordable Care Act of 2010 for the 2009 and 2010 tax years. The examination commenced during the second quarter of fiscal 2012. The IRS expanded its scope to include the fiscal year 2011 tax return, which was filed in January 2012. The examinations of fiscal 2009 and 2010 were completed in the fourth quarter of fiscal 2012. The examination of fiscal 2011 was completed in the first quarter of fiscal 2013. The audit of all three fiscal years ending April 30, 2011, 2010 and 2009 resulted in no additional tax due or receivable.

CHAMPIONS ONCOLOGY, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Note 12. Fair Value

The carrying value of cash and cash equivalents, accounts receivable, prepaid expenses, deposits and other receivables, accounts payable, and accrued liabilities approximate their fair value based on the liquidity or the short-term maturities of these instruments. The fair value hierarchy promulgated by GAAP consists of three levels:

- *Level one* — Quoted market prices in active markets for identical assets or liabilities;
- *Level two* — Inputs other than level one inputs that are either directly or indirectly observable; and
- *Level three* — Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use.

Determining which category an asset or liability falls within the hierarchy requires significant judgment. The Company evaluates its hierarchy disclosures each quarter. The Company has one liability measured at fair value on a recurring basis, which are warrants that were issued in connection with a private placement of the Company's securities that closed during April 2011 and is discussed more fully in Note 5. As of July 31, 2012 and April 30, 2012, these warrants had an estimated fair value of $0.3 million and $0.6 million, respectively, which was calculated by the Monte Carlo simulation valuation method using level three inputs. The Company has no assets that are measured at fair value on a recurring basis and there were no assets or liabilities measured at fair value on a non-recurring basis as of July 31, 2012 and April 30, 2012 and during the three months ended July 31, 2012 and 2011.

The following table presents information about our warrants liability, which was our only financial instrument measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at July 31, 2012 (in thousands):

Balance, May 1, 2012	$555
Transfers to (from) Level 3	-
Total (gains) losses included in earnings	(285)
Purchases, issuances and settlements, net	-
Balance, July 31, 2012	$270

Note 13. Business Segment Information

The Company operates in two segments, POS and TOS. The accounting policies of the Company's segments are the same as those described in Note 2 of the Company's annual consolidated financial statements for the year ended April 30, 2012, as filed on Form 10-K. The Company evaluates performance of its segments based on profit or loss from operations before stock-based compensation expense, depreciation and amortization, interest expense, interest income, gain on sale of assets, special charges or benefits, and income taxes ("segment profit"). Management uses segment profit information for internal reporting and control purposes and considers it important in making decisions regarding the allocation of capital and other resources, risk assessment, and employee compensation, among other matters. The following tables summarize, for the periods indicated, operating results by business segment (in thousands):

Three Months Ended July 31, 2012	Personalized Oncology Solutions (POS)	Translational Oncology Solutions (TOS)	Unallocated Corporate Overhead	Consolidated
Net revenue	$ 918	$ 1,188	$ -	$ 2,106
Direct cost of services	(717)	(691)	-	(1,408)
Sales and marketing costs	(435)	(192)	-	(627)
Other operating expenses	-	(363)	(568)	(931)
Stock- based compensation expense (1)	-	-	(739)	(739)
Segment profit (loss)	$ (234)	$ (58)	$ (1,307)	$ (1,599)

12

CHAMPIONS ONCOLOGY, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Three Months Ended July 31, 2011	Personalized Oncology Solutions (POS)	Translational Oncology Solutions (TOS)	Unallocated Corporate Overhead	Consolidated
Net revenue	$ 601	$ 1,033	$ -	$ 1,634
Direct cost of services	(483)	(419)	-	(902)
Sales and marketing costs	(369)	(245)	-	(614)
Other operating expenses	-	(517)	(801)	(1,318)
Stock- based compensation expense (1)	-	-	(1,014)	(1,014)
Segment profit (loss)	$ (251)	$ (148)	$ (1,815)	$ (2,214)

(1) Stock compensation expense is shown separately and is excluded from direct costs of services, sales and marketing costs, and other operating expenses, as it is managed on a consolidated basis and is not used by management to evaluate the performance of its segments.

All of the Company’s revenue is recorded in the United States and substantially all of its long-lived assets are in the United States.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our historical results of operations and our liquidity and capital resources should be read in conjunction with the condensed consolidated financial statements and related notes that appear elsewhere in this report and our most recent annual report for the year ended April 30, 2012, as filed on Form 10-K.

Forward-Looking Statements

This Quarterly Report on Form 10-Q, including Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, contains certain "forward-looking statements," which include information relating to future events, future financial performance, strategies, expectations, competitive environment, regulation, and availability of resources. These forward-looking statements include, without limitation, statements regarding: proposed new programs; expectations that regulatory developments or other matters will not have a material adverse effect on our financial position, results of operations, or liquidity; statements concerning projections, predictions, expectations, estimates, or forecasts as to our business, financial and operational results, and future economic performance; and statements of management's goals and objectives and other similar expressions concerning matters that are not historical facts. Words such as "may," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "intends," "plans," "believes," "estimates" and similar expressions, as well as statements in future tense, identify forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements.

Forward-looking statements speak only as of the date the statements are made. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to, those described in "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended April 30, 2012, as updated in our subsequent reports filed with the SEC, including any updates found in Part II, Item 1A of this or other reports on Form 10-Q. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

Overview and Recent Developments

Champions Oncology, Inc. is engaged in the development of advanced technology solutions to personalize the development and use of oncology drugs. The Company's TumorGraft Technology Platform is a novel approach to personalizing cancer care, based upon the implantation of human tumors in immune-deficient mice. The Company uses this technology, in conjunction with related services, to offer solutions for two customer groups:

- Our Personalized Oncology Solutions ("POS") business, which provides services to physicians and patients looking for information to help guide the development of personalized treatment plans.

- Our Translational Oncology Solutions ("TOS") business, which provides services to pharmaceutical and biotechnology companies seeking personalized approaches to drug development that will lower costs and increase the speed of developing new drugs, as well as increase the adoption of existing drugs.

We plan to continue our efforts to expand our TumorGraft Technology Platform in order to expand our POS and TOS programs. In fiscal 2012, we modified our POS business strategy to focus on growing our core technology products, which includes TumorGraft implants and drug studies. As part of this strategy, which we continue to execute in fiscal 2013, we significantly reduced the price of our core technology products to make the products affordable to a broader patient base, maximize synergies between our POS and TOS businesses, increase our tumor model offerings to our TOS sponsors, and increase the number of models in our Tumorbank. We have increased spending on sales and marketing efforts to support this strategy. We will continue to offer related personalized oncology services to our customers; however, we expect future POS revenue to be driven by our core products.

During the second half of fiscal 2012, we transitioned the laboratory activities that support the POS and TOS services from a third-party contract research organization ("CRO") to our facility in Baltimore, Maryland. To facilitate this strategy and support the increase in current and expected volume, we have invested in the infrastructure and increased our laboratory staff and are evaluating options to increase our lab capacity to meet the future demand. We believe that bringing these activities in-house will significantly reduce the future cost of providing our services and allow us to maintain a more competitive pricing strategy.

Operating Results

The following table summarizes our operating results for the periods presented below (in millions):

	For the Three Months Ended July 31,				
	2012	% of Revenue	2011	% of Revenue	% Change
Operating revenue:					
Personalized oncology solutions	$0.9	42.9 %	$0.6	37.5 %	50.0 %
Translational oncology solutions	1.2	57.1	1.0	62.5	20.0
Total operating revenue	2.1	100.0	1.6	100.0	31.3
Costs and operating expenses:					
Cost of personalized oncology solutions	0.8	38.1	0.5	31.3	60.0
Cost of translational oncology solutions	0.7	33.3	0.4	25.0	75.0
Research and development	0.4	19.0	0.5	31.3	(20.0)
Sales and marketing	0.7	33.3	0.7	43.8	-
General and administrative	1.1	52.4	1.7	106.3	(35.3)
Total costs and operating expenses	3.7	176.2	3.8	237.5	(2.6)
Operating loss	$(1.6)	(76.2)%	$(2.2)	(137.5)%	(27.3)

Operating Revenues

Operating revenues were $2.1 million and $1.6 million for the three months ended July 31, 2012 and 2011, respectively, an increase of $0.5 million or 31%.

Personalized Oncology Solutions (POS) revenues were $0.9 million and $0.6 million for the three months ended July 31, 2012 and 2011, respectively, an increase of $0.3 million, or 50%. The increases in POS revenues were driven by an increased number of drug studies completed during the quarter. During the three months ended July 31, 2012, the Company completed 13 drug studies, compared to only one completed in the prior year. These increases are the result of the steady increase in the number of TumorGrafts performed which have moved onto drug studies.

Translational Oncology Solutions (TOS) revenues were $1.2 million and $1.0 million for the three months ended July 31, 2012 and 2011, respectively, an increase of $0.2 million, or 20%. The increase in TOS revenues was due primarily to higher number of models sold, as a result of our increased investment in our Tumorbank.

Cost of Personalized Oncology Solutions

POS cost of sales for the three months ended July 31, 2012 and 2011 was $0.8 million and $0.5 million, respectively, an increase of $0.3 million, or 60%. For the three months ended July 31, 2012 and 2011, gross margins for POS were 11% and 17%, respectively. The decline in gross margin can be attributed to increased costs related to transitioning our laboratory activities in-house from a third-party CRO. This transition, which is expected to yield future cost savings through higher utilization of capacity, began during the second half of fiscal 2012 and was substantially complete during the first quarter of fiscal 2013.

Cost of Translational Oncology Solutions

TOS cost of sales for the three months ended July 31, 2012 and 2011 was $0.7 million and $0.4 million, respectively, an increase of $0.3 million, or 75%. For the three months ended July 31, 2012 and 2011, gross margins for TOS were 42% and 60%, respectively. The decline in gross margin can be attributed to additional costs associated with transitioning laboratory activities in-house from a third-party CRO. Specifically, we have made additional investments in our infrastructure and our laboratory staff to increase productivity and to support current and expected volumes.

Research and Development

Research and development expenses for the three months ended July 31, 2012 and 2011 were $0.4 million and $0.5 million, respectively, a decrease of $0.1 million, or 20%. This decrease was primarily related to decreased tumor procurement costs, resulting from our strategy to source models from our POS business.

Sales and Marketing

Sales and marketing expenses for each of the three month periods ended July 31, 2012 and 2011 were $0.7 million. Employee-related costs associated with our sales force and marketing personnel increased $0.2 million, but this was offset by a decrease in marketing activities.

General and Administrative

General and administrative expenses for the three months ended July 31, 2012 and 2011 were $1.1 million and $1.7 million, respectively, a decrease of $0.6 million, or 35%. This decrease is due to reductions in stock-based compensation expenses and consultant costs.

Other Income (Expense)

Other income consists of the change in the fair value of warrants that are accounted for as liabilities and are described further below and in Note 5 to the accompanying unaudited condensed consolidated financial statements. For the three months ended July 31, 2012 and 2011, other income was $0.3 million and $0.2 million, respectively, an increase of $0.1 million. The Company will continue to adjust the warrant liability for changes in fair value, until the earlier of the exercise of the warrants, at which time the liability will be reclassified to stockholders' equity, or expiration of the warrants. This change in the fair value of the warrant liability was a result of revaluing the warrant liability based on the Monte Carlo simulation valuation model, impacted primarily by the quoted price of the Company's common stock. The revaluation of the warrant liability has no impact on our cash balances.

Liquidity and Capital Resources

Our liquidity needs have typically arisen from the funding of our research and development programs and the launch of new products, working capital requirements, and other strategic initiatives. In the past, we have met these cash requirements through our cash and cash equivalents, working capital management, and proceeds from certain private placements of our securities. As of July 31, 2012, we had working capital of $1.2 million and cash and cash equivalents of $2.9 million. We believe that our cash and cash equivalents on hand at July 31, 2012 are adequate to fund operation for at least through April 30, 2013. The Company is currently exploring financing options to raise additional funds for future operations. There can be no assurance that management will be successful in raising additional capital on terms acceptable to us, if at all. Our ability to successfully complete a raise of capital will depend on the conditions of the capital markets and our financial condition and prospects. Even if we are able to successfully raise additional capital, such capital could be in the form of debt and could be at high interest rates and/or require us to comply with restrictive covenants that limit financial and business activities. In addition, even if we are able to successfully raise equity capital, this could dilute the interest of existing shareholders and/or be issued with preferential liquidation, dividend or voting rights to those currently held by our common stockholders.

On March 24, 2011, the Company entered into a Securities Purchase Agreement with several accredited investors for the sale to the investors of an aggregate 12,533,333 shares of the Company’s common stock at a purchase price of $0.75 per share, or an aggregate of $9.4 million, of which, $0.5 million was sold to officers and directors of the Company. As part of this transaction, we issued warrants to purchase an aggregate 1,266,667 shares of common stock at an exercise price of $0.90 per share. These warrants expire five years after the closing date, which occurred on April 4, 2011. The Securities Purchase Agreement contains certain anti-dilution protections for the investors and certain registration rights with respect to the shares of common stock issued to the investors. Furthermore, investors have the right to require the Company to repurchase the purchased common shares held (the “Put Option”) for cash for $0.75 per share upon a change of control or sale of substantially all of the company’s assets. The Put Option will terminate upon the achievement of certain financial milestones by the Company, the sale of 25% of the common shares purchased by an investor, with respect only to the shares owned by such investor, or in certain other circumstances as outlined in the Securities Purchase Agreement.

The warrants issued in connection with the Securities Purchase Agreement contain certain exercise price reset provisions. Under these provisions, the exercise price of the warrants may be adjusted downward should the Company have future sales of its common stock for no consideration or for a consideration per share less than the Per Share Price (as such term is defined in the Securities Purchase Agreement).

Cash Flows

The following discussion relates to the major components of our cash flows:

Cash Flows from Operating Activities

Net cash used in operating activities was $1.8 million and $1.5 million for the three months ended July 31, 2012 and 2011, respectively. The increase of $0.3 million cash used in operations relates to higher working capital requirements.

Cash Flows from Investing Activities

Net cash used in investing activities was less than $0.1 million and $0.1 million for the three months ended July 31, 2012 and 2011, respectively. These cash flows relate to the purchase of property and equipment.

Cash Flows from Financing Activities

No cash was used in, or provided by, financing activities during the three months ended July 31, 2012. Net cash provided by financing activities was less than $0.1 million for the three months ended July 31, 2011, which was related to the exercise of stock options and warrants.

Critical Accounting Estimates and Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to apply methodologies and make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenseTimes New Roman" SIZE="2" COLOR="#000000">36,686

5.0

31,666

5.3

General and administrative

37,739

4.0

33,484

4.6

31,102

5.3

Purchased in-process research and development

3,275

0.4

Total operating expenses	218,330	23.1	178,585	24.3	142,157	24.0

Operating income	97,218	10.3	54,674	7.4	40,970	6.9
Interest expense, net	(1,956)	(0.2)	(148)		(163)	
Other income (expense), net	(1,567)	(0.2)				

2,628

0.3

(3,252
)

(0.6
)

Income before income taxes

93,695

9.9

57,154

7.7

37,555

6.3

Provision for income taxes

18,739

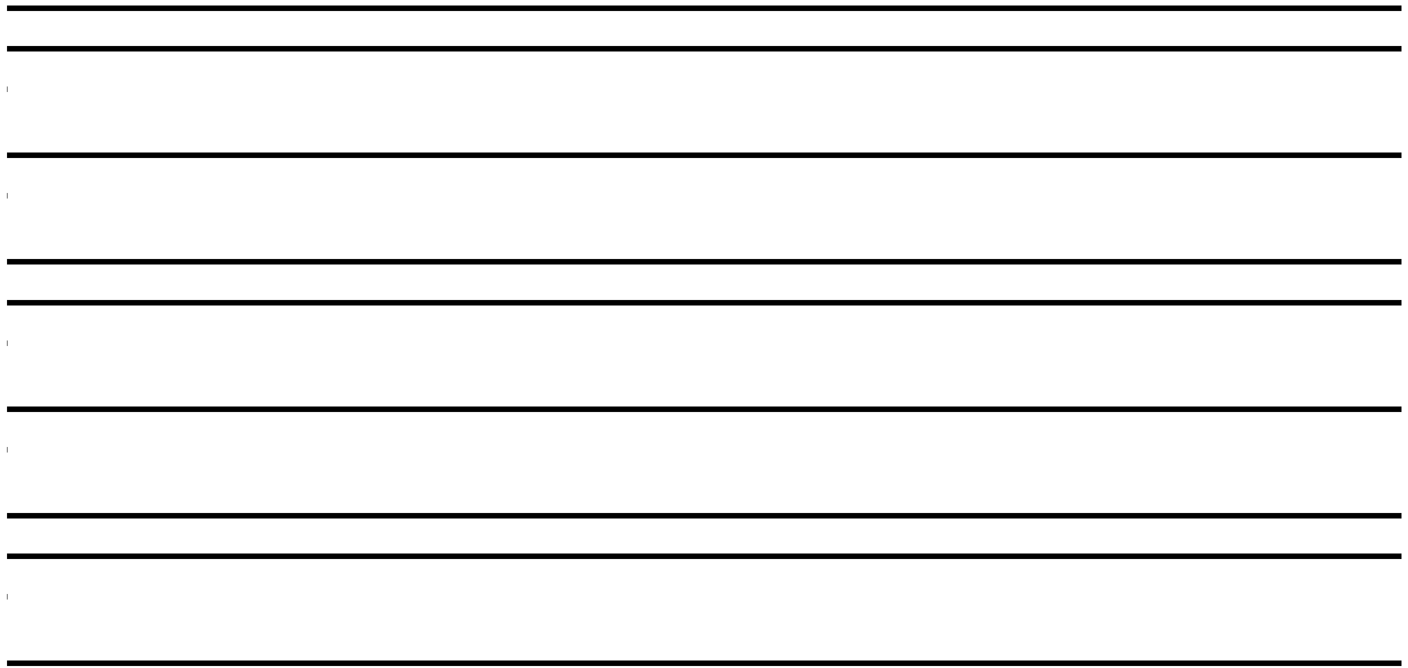
2.0

12,086

1.6

7,511

1.2



Net income	$ 74,956	7.9 %	$ 45,068	6.1 %

$	30,044
%	5.1

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America (U.S. GAAP) and in compliance with relevant Swiss law, requires us to utilize accounting policies and make estimates and assumptions that affect our reported amounts of assets, liabilities, revenue and expenses. We believe the following accounting policies and estimates are the most critical to our business operations and to understanding our results of operations. They should be read in conjunction with our consolidated financial statements.

Revenue Recognition

Revenues are recognized upon transfer of title and risk of loss, which is generally when products are shipped. Revenues from sales to distributors and authorized resellers are subject to terms allowing certain rights of return, price protection and allowances for customer marketing programs. Accordingly, allowances for estimated future returns, price protection and customer marketing programs are recorded upon revenue recognition. Upon shipment of the product, we record an estimate of potential future product returns related to current period product revenue. Management analyzes historical returns, current economic trends and changes in customer demand and acceptance of our products when evaluating the adequacy of the sales returns allowances. We also record reductions to revenue for the estimated cost of customer programs and incentive offerings including special pricing agreements, price protection, promotions and other volume-based incentives. Significant management judgments and estimates must be used in connection with establishing these allowances in any accounting period. If market conditions were to deteriorate, the Company may take actions to increase customer incentive offerings possibly resulting in an incremental reduction of revenue at the time the incentive is offered.

Accounts Receivable

We also estimate the uncollectability of our accounts receivable, and we maintain allowances for estimated losses. Management analyzes accounts receivable, historical bad debts, receivable aging, customer credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventory Reserves

We evaluate our inventory for estimated excess and obsolete amounts as well as declines in marketability based upon technology trends, our plans for the product and assumptions about future demand and market conditions. If in the future there is a sudden and significant decrease in demand for our products or there is a higher risk of excess inventory or obsolescence because of rapidly changing technology and customer requirements, we may be required to increase our inventory allowances and our gross margin could be adversely affected.

Accounting for income taxes

We operate in multiple jurisdictions and our profits are taxed pursuant to the tax laws of these jurisdictions. Our effective tax rate may be affected by the changes in or interpretations of tax laws in any given jurisdiction, utilization of net operating losses 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 our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income, and establish a valuation allowance for any amounts we believe will not be recoverable. Establishing or increasing a valuation allowance increases our income tax expense.

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We have recorded a valuation allowance at March 31, 2002, due to uncertainties related to our ability to utilize some of our deferred tax assets before they expire. The valuation allowance is based on our estimates of taxable income by jurisdiction in which we operate and the period over which our deferred tax assets will be recoverable. In the event that actual results differ from these estimates or we adjust these estimates in future periods we may need to establish an additional valuation allowance which could materially impact our financial position and results of operations.

Valuation of Long-Lived and Intangible Assets and Goodwill

We review for impairment of long-lived assets, such as investments, property and equipment, and goodwill and other intangible assets, whenever events indicate that the carrying amount might not be recoverable. Factors we consider important which could trigger an impairment review include the following:

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

When Logitech determines that the carrying value of intangibles and long-lived assets may not be recoverable based upon the existence of one or more of the above indicators, we measure any impairment based on a projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model.

During the first quarter of fiscal 2002, Logitech adopted Statement of Financial Accounting Standard (SFAS) No. 142, Goodwill and Other Intangible Assets and as a result, we ceased amortizing goodwill. We had recorded $1 million and $.9 million of amortization during 2001 and 2000, and would have recorded $6 million of amortization during 2002 under the old standard. SFAS No. 142 also requires the Company to perform an annual impairment review of goodwill. Logitech completed this impairment test using the enterprise value method in fiscal 2002 and determined that goodwill and other intangible assets are not impaired.

Recent Developments

Channel Marketing Costs

Effective January 1, 2002, the Company adopted Emerging Issues Task Force (EITF) Issue 01-9, Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor s Products , which was issued by the EITF in November 2001. This required the reclassification of certain channel marketing expenses from marketing and selling expenses to a deduction from sales. The reclassifications decreased net sales and marketing and selling expenses by the same amount. The reclassifications did not impact operating income, net income or earnings per share. All prior periods have been reclassified to reflect the adoption of the EITF provisions.

Table of Contents

Events Subsequent to Year End

On April 5, 2002, the Company acquired the remaining interest in 3Dconnexion, the provider of Logitech s 3D controllers, for $7.5 million, payable in July 2003 using Logitech shares. 3Dconnexion s assets and liabilities have been included in the Company s consolidated financial statements since acquiring a controlling interest at September 30, 2001, and its results of operations have been included since October 1, 2001. The impact of 3Dconnexion s assets, liabilities and results of operations was not material to the Company s sales, results of operations, financial position or earnings per share in fiscal 2002.

On May 3, 2002, the Company acquired the remaining 64.8% of Spotlife Inc. it did not already own, for approximately $2.5 million in cash. Spotlife s business was to enhance video communications using the internet infrastructure. This acquisition will be accounted for using the purchase method of accounting. The impact of Spotlife s assets and liabilities will not be material to the Company s financial position.

Year Ended March 31, 2002 Compared to Year Ended March 31, 2001

Net Sales

Net sales for the year ended March 31, 2002 increased $208 million or 28% to $944 million. The growth was shared across all product categories, but primarily came from the Company s pointing device products, the audio products associated with the acquisition of Labtec and from the Company s desktop products (a keyboard and mouse sold together). The Euro s loss in value compared to the U.S. dollar restrained sales growth for the year. With approximately 52% of the Company s sales denominated in currencies other than the U.S. dollar, the Company estimates that the impact on net sales of the weakening Euro along with the impact of exchange rate changes in the Japanese Yen and Taiwanese Dollar relative to the U.S. dollar, was approximately $24 million.

Net sales reflect the impact of the Labtec acquisition beginning in fiscal 2002. If the Company had acquired Labtec at the beginning of fiscal 2001 and Labtec sales were included in the results for fiscal year 2001, the sales growth would have been $121 million or 15% for the year ended March 31, 2002.

Retail sales grew by 42% over last year. This growth was shared across all product categories. Retail sales of the Company s pointing devices, which include mice and trackballs, grew by 22% while unit volumes grew by 24%. Driven by the Company s new cordless optical wheel mouse, cordless mice were a significant source of this strong growth, with 103% growth in sales and 73% growth in unit volumes. Even with this growth, mice represent 37% of the Company s total retail sales compared to 38% last year, reflecting the Company s expanded retail product offerings. Sales of desktop products grew by 45% and unit volumes grew by 64%, with the majority of the growth coming from cordless desktop products. In the PC video camera business, retail sales grew 17% and unit volumes increased by 26% over last year. This growth was driven primarily by our strong performance across all video products. Sales of interactive entertainment products grew by 25% while unit volumes declined by 7%. This unit volume decrease reflects volume decreases in sales of joysticks and gamepads which were offset by the strong sales of the higher value GT Force Steering Wheel for PlayStation® 2. The Company s newly acquired audio products, including a full range of PC headsets, speakers and headphones, added eleven percentage points of absolute growth to retail sales during the year.

OEM sales declined by 15% compared to last year, principally due to the significant sales of PC video cameras in fiscal 2001 coupled with sluggish sales of new PCs in this fiscal year.

Gross Profit

Gross profit consists of net sales, less cost of goods sold which consists of materials, direct labor and related overhead costs, costs of manufacturing facilities, costs of purchasing finished products from outside suppliers, distribution costs and inventory write-offs. Gross profit increased 35% to $316 million, due primarily to significantly higher sales volume.

Gross margin (gross profit as a percentage of net sales) increased from 31.7% to 33.4%. This improvement reflects a shift toward higher margin retail products in the sales mix and improved product margins in several retail categories. In particular, retail product margins for pointing devices, video and entertainment products improved primarily due to manufacturing cost reductions. OEM product margins also increased due to both continued cost reductions and a sales mix of higher margin products.

Operating Expenses

Marketing and Selling

Marketing and selling expenses consist of personnel and related overhead costs, corporate and product marketing, promotions, advertising, trade shows, customer and technical support and facilities costs. Marketing and selling expense increased 24% to $130 million. This increase was directly related to the Company s increased sales performance and marketing initiatives aimed at strengthening the Company s retail presence.

The Company has increased marketing costs in new product areas, particularly internet video cameras and audio products. With the acquisition of Labtec, the Company has incurred product marketing, product and packaging design and advertising costs relating to the audio products. As a percentage of sales, marketing and selling costs slightly decreased from 14.3% to 13.8%.

Table of Contents

Research and Development

Research and development expenses consist 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, the enhancements of existing products and the performance of quality assurance activities. Research and development expenses increased 38% to $51 million. The increase was related to new product development, cost reduction efforts on existing products and increased costs associated with intellectual property used in our products. As a percentage of sales, research and development increased from 5.0% to 5.3%.

General and Administrative

General and administrative expenses consist primarily of personnel and related overhead and facilities costs for the finance, information systems, executive, human resources, and legal functions. General and administrative expense for the year ended March 31, 2002 increased 13% to $38 million. This increase was primarily due to increased headcount and personnel-related expenses. As a percentage of sales, general and administrative decreased from 4.6% to 4.0%.

Interest Expense, Net

Interest expense for the year ended March 31, 2002 was $2.0 million, compared to $.1 million in 2001. Interest expense increased due to the short-term borrowing and subsequent issuance of the five-year convertible bonds to finance the Labtec acquisition. The Company borrowed $35 million in March 2001 and $55 million in April 2001 to finance the acquisition and repay Labtec obligations and credit lines. This debt was repaid in June 2001 using proceeds from the issuance of a convertible bond.

Other Income (Expense), Net

Other expense was $1.6 million for the year ended March 31, 2002, compared to other income of $2.6 million last year. Other expense this year includes the $1.2 million write-off of an investment and $2.5 million of losses recorded for investments accounted for under the equity method, partially offset by the $1.1 million gain on the sale of shares in Immersion and $.6 million of proceeds from a property loss insurance claim. Other income last year was primarily due to gains of $1.9 million gain from the sale of a building and $1.3 million from the sale of an investment, partially offset by $.7 million of losses recorded for investments accounted for under the equity method.

Provision for Income Taxes

The provision for income taxes consists of income and withholding taxes. The provision for income taxes for the year ended March 31, 2002 was $19 million, representing a 20% effective tax rate, compared to $12 million, representing a 21% effective tax rate in 2001. In 2001, the effective tax rate was impacted by certain non-deductible one time purchased in-process research and development expenses of $3.3 million related to the Labtec acquisition. Excluding the purchased in-process research and development expense, the effective tax rate in 2001 would have been 20%.

Year Ended March 31, 2001 Compared to Year Ended March 31, 2000

Net Sales

Net sales for the year ended March 31, 2001 increased 24% to $735.5 million. This growth was shared across all product categories, but primarily came from the Company s video and keyboard products, as well as increases from the Company s corded and cordless mice. With approximately 51% of the Company s sales denominated in the Euro, the Company estimates that the impact of the weakening Euro, along with the impact of other exchange rate changes, was to reduce net sales by approximately $38 million.

Retail sales grew by 31% over the prior year. This growth was shared across all product categories. In the retail pointing device category, which includes mice and trackballs, sales grew by 13% while unit volumes grew 6%. This growth occurred in both corded and cordless mice, with sales increasing 22% over the prior year. The introduction of a variety of corded optical mice, including some models featuring tactile feedback, helped drive much of this growth. Mice sales represented 38% of the Company s total retail revenue for both fiscal 2001 and 2000. Keyboard products were a source of strong growth with sales increasing by 55% over last year and unit volume growing 57%. The majority of growth in this category came from the cordless desktop line. In the video camera business, retail sales grew 60% and unit volumes more than doubled. Sales of interactive entertainment products grew 19%, while unit volumes increased 31%. The overall market for PC gaming peripherals was very weak, affecting Logitech sales. While sales of joysticks and steering wheels increased over last year, almost half of the sales growth in the gaming category came from sales of gaming console steering wheels, which were shipped for the launch of the Gran Turismo3 A-Spec racing game for PlayStation® 2. These shipments represented the Company s initial movement beyond the PC.

OEM sales grew this year by 8% compared to the prior year, while unit volume increased by 3%. This growth was made possible by significant growth in sales of PC video cameras, particularly in the first half of the year. Logitech s OEM sales declined in the fourth quarter of fiscal 2001 compared to the same quarter of the prior year. Difficult business conditions for the largest PC manufacturers, as well as a reduction in demand for new PC s, impacted Logitech OEM sales.

Gross Profit

Gross profit increased 27% to $233.3 million for the year ended March 31, 2001 due primarily to significantly higher sales volume. Gross margin (gross profit as a percentage of net sales) increased from 30.9% to 31.7%. The increase was primarily due to operational efficiencies achieved throughout the supply chain, combined with increased higher-margin internet video camera sales to OEM customers. Retail gross margin declined, reflecting a shift in product mix and the impact of pricing actions, as well as the decline in the value of the Euro compared to the U.S. dollar.

Operating Expenses

Marketing and Selling

Marketing and selling expenses for the year ended March 31, 2001 increased 32% to $105.1 million. The increase in sales and marketing expenses was directly related to the Company s increased sales performance and marketing initiatives aimed at strengthening the Company s retail presence. As a percentage of sales, marketing and selling costs increased from 13.4% to 14.3%.

Research and Development

Research and development expenses for the year ended March 31, 2001 increased 16% to $36.7 million. As a percentage of sales, research and development costs decreased slightly from 5.3% to 5.0%. Research and development efforts were focused on new product development and cost reductions on existing products.

General and Administrative

General and administrative expenses increased 8% to $33.5 million for the year ended March 31, 2001. This represents 4.6% of net sales, compared to 5.3% in the prior year. The increase in general and administrative expenses primarily reflects higher information systems costs.

Purchased In-Process Research and Development

In connection with the acquisition of Labtec in March 2001, Logitech recorded a one-time charge of $3.3 million for purchased in-process research and development. The value of IPR&D was 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.

Interest Expense, Net

Net interest expense was $.1 million for the year ended March 31, 2001, approximately the same as $.2 million for the year ended March 31, 2000.

Other Income (Expense), Net

Other income was $2.6 million for the year ended March 31, 2001, compared to other expense of $3.3 million in fiscal 2000. Other income in fiscal 2001 was primarily due to the $1.9 million gain recognized from the sale of a building and the $1.3 million gain on the sale of shares of Immersion Corporation, partially offset by $.7 million of losses in investments accounted for under the equity method. The other expense in fiscal 2000 was primarily due to losses of $3.6 million in investments accounted for under the equity method, and the $2 million write-off of an investment, which were partially offset by the $1.5 million gain on the sale of the touchpad technology and $.9 million of foreign currency exchange gains.

Provision for Income Taxes

The provision for income taxes for the year ended March 31, 2001 was $12.1 million, representing a 21% effective tax rate, compared to $7.5 million, representing a 20% effective tax rate in 2000. The effective tax rate increased in 2001 due to the non-deductible nature of the one time purchased in-process research and development expense. Excluding the purchased in-process research and development expense, the effective tax rate in 2001 would have been 20%.

Liquidity and Capital Resources

Cash Balances, Available Borrowings, and Capital Resources

At March 31, 2002, net working capital was $265.7 million, compared to $116.8 million at March 31, 2001. Cash and cash equivalents totaled $143.1 million, an increase of $99.0 million from March 31, 2001. The increase in cash during fiscal 2002 was primarily due to profitable operations and effective management of inventory and receivables. The Company refinanced borrowings in connection with the Labtec acquisition with the proceeds from its $93 million convertible bond offering.

The Company has financed its operations and capital requirements primarily through cash flow from operations and, to a lesser extent, capital markets and bank borrowings. The Company s normal short-term liquidity and long-term capital resource requirements will be provided from three sources: ongoing cash flow from operations, cash and cash equivalents on hand and borrowings, as needed, under the credit facilities.

The Company had credit lines with several European and Asian banks totaling $62 million as of March 31, 2002. As is common for business in European and Asian countries, these credit lines are uncommitted and unsecured. Despite the lack of formal commitments from its banks, the Company believes that these lines of credit will continue to be made available because of its long-standing relationships with these banks. As of March 31, 2002, $56 million was available under these facilities.

Acquisition of Labtec

In March 2001, the Company completed the acquisition of Labtec, Inc. for $73 million with $47.6 million paid in cash and with the issuance of $25.4 million paid through the issuance of ADSs. In fiscal 2001, the Company borrowed $35 million under a $90 million term loan credit facility to finance part of the cash portion of the acquisition cost. During the first quarter of fiscal 2002, the Company borrowed the remaining term loan balance of $55 million to repay short-term Labtec borrowings of $19 million, long-term Labtec borrowings of $27 million and to pay other obligations relating to the acquisition. In June 2001, the Company sold 1% convertible bonds in a registered offering. Net proceeds of $93 million were used to repay the $90 million bridge loan.

Cash Flow from Operating Activities

The Company s operating activities provided net cash of $112.6 million for the year compared to $12.0 million, and $32.9 million for the years ended March 31, 2001 and 2000. The Company generated cash from a higher level of sales in fiscal 2002 compared to fiscal 2001. While accounts receivable increased by 18.2% to $171.1 million compared to March 31, 2001, this increase is lower than the 28% increase in net sales for fiscal 2002 reflecting the strong collection efforts throughout the fiscal year. The Company made a concerted effort to reduce inventory levels, net of payables, during fiscal 2002. As a result, the Company invested significantly less cash in inventory this year, as inventory levels decreased significantly from the prior year end.

In fiscal 2001, the Company generated cash from a higher level of sales as compared to the previous year. But this was more than offset by the use of cash in fiscal 2001 for increased inventories and receivables, net of increased payables. The increase in inventory was due principally to anticipated demand for video camera products that did not develop until fiscal 2002.

Cash Flow from Investing Activities

The Company s investing activities used cash of $24.5 million for the year ended March 31, 2002, compared to $59.1 million and $19.9 million for the years ended March 31, 2001 and 2000. During the year ended March 31, 2002, cash of $6.8 million was used for additional acquisition costs related to the purchase of Labtec and to acquire a non-marketable equity investment. These expenditures were partially offset by cash proceeds of $4.2 million from the sale of available-for-sale securities.

Cash used in the year ended March 31, 2001 included $47.6 million, excluding $5.5 million cash acquired, for the acquisition of Labtec, $5 million for an additional investment in Spotlife, Inc., Logitech s spin-off focused on enhancing video communications using the Internet infrastructure, and $.6 million for investment in other affiliated companies. In addition, 2001 includes cash proceeds of $3.6 million for the sale of a building in Europe that was no longer being used in the Company s operations and $1.8 million from the sales of available-for-sales securities.

Cash used in the year ended March 31, 2000 included $4.2 million of investments in affiliated companies, almost half of which was used to form Spotlife.

The amounts invested in all three years for capital expenditures include normal expenditures for tooling costs, machinery and equipment, capital improvements, and other computer equipment. Fiscal year 2000 also included costs related to the Company s computer systems implementation project, which was completed mid-fiscal 2000.

Cash Flow from Financing Activities

The Company s financing activities provided cash of $13.2 million for the year ended March 31, 2002. In April 2001, the Company borrowed $55 million under the bridge loan, bringing the total bridge loan for the Labtec acquisition to $90 million. During the first quarter of fiscal 2002, the Company repaid short-term Labtec borrowings of $19 million and long-term Labtec borrowings of $27 million. In June 2001, the Company sold 1% convertible bonds in a registered offering in Switzerland. Net proceeds of $93 million were used to repay the $90 million bridge loan. The Company also realized $16.4 million of proceeds from the sale of registered shares and treasury shares to fulfill employee stock option and stock purchase plan requirements. In August through October 2001, under a previously announced registered share buyback program, the Company repurchased 628,704 Logitech shares for $15.0 million in open market transactions.

Net cash provided by financing activities for the year ended March 31, 2001 was $45.2 million. In March 2001, $35 million was borrowed from banks for the acquisition of Labtec. Also included in fiscal 2001 was $11.0 million of proceeds from the sale of registered shares and treasury shares to fulfill employee stock option and stock purchase plan requirements. This was partially offset by the repurchase of 39,000 Logitech shares for $1.1 million as part of a stock buy-back program in the first quarter.

Net cash used by financing activities for the year ended March 31, 2000 was $5.8 million. This represents an $18.4 million net paydown of short-term debt, partially offset by $12.9 million of proceeds from sales of treasury shares and registered shares pursuant to employee stock purchase and stock option plans.

Contractual Obligations and Commitments

The following summarizes Logitech s contractual obligations at March 31, 2002, and the effect such obligations have on its liquidity and cash flow in future periods.

		Year ended March 31,			
	Total	**2003**	**2004 2005**	**2006 2007**	**After**
			(in thousands)		
Convertible bonds	$ 101,916	$	$	$ 101,916	$
Swiss mortgage loan	2,749		2,749		
Lines of credit	5,278	5,278			
Capital leases	387	240	147		
Operating leases	16,938	5,776	7,119	4,043	
Fixed purchase commitments-inventory	60,764	60,764			
Fixed purchase commitments-capital	3,770	1,770	2,000		
Acquisition, payable in common stock	7,500		7,500		
Spotlife commitments	5,502	3,568	1,934		

Total contractual obligations	$ 204,804	$ 77,396	$ 21,449	$ 105,959	$

The convertible bonds are convertible at any time into shares of Logitech registered shares at the conversion price of CHF 62.40 (US $38.60) per share. Early redemption is permitted at any time at the accreted redemption amount, subject to certain requirements. Fixed purchase commitments relate primarily to purchase commitments for inventory and capital expenditures. The inventory commitments are in the normal course of operations and are to original design manufacturers, contract manufacturers and other suppliers. In addition, the Company had guaranteed up to a maximum of $5.3 million of Spotlife s capital lease obligation. As of March 31, 2002, the outstanding balance of the lease obligation, and therefore the Company s guarantee, was $1.8 million. In May 2002, the Company acquired Spotlife s remaining shares and assumed Spotlife s assets and liabilities. The Spotlife commitments above relate to two capital leases, an operating lease, and several other contractual obligations in the normal course of business.

The Company believes that its cash and cash equivalents, cash from operations, and available borrowings under its bank lines of credit will be sufficient to fund capital expenditures and working capital needs for the foreseeable future.

Research and Development

For a discussion of our research and development activities, patents and licenses, please see Item 4.B Business Overview.

Trend Information

For a discussion of significant trends in our financial conditions and results of operations, please see Item 5. Results of Operations and Liquidity and Capital Resources.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The directors and executive officers of the Company as of May 1, 2002 are as follows:

Name	Age	Position
Daniel Borel	52	Chairman of the Board
Guerrino De Luca	49	President and Chief Executive Officer, Director
Erh-Hsun Chang	53	Sr. Vice President, Operations and General Manager, Far East
Wolfgang Hausen	59	President and Chief Executive Officer, 3Dconnexion
David Henry	45	Sr. Vice President and General Manager, Control Devices
Ted Hoff	60	Vice President, Interactive Entertainment
Junien Labrousse	44	Sr. Vice President, Video
Kristen Onken	52	Sr. Vice President, Finance, and Chief Financial Officer
Marcel Stolk	35	Sr. Vice President, Worldwide Sales and Marketing
Robert Wick	39	Sr. Vice President, Audio
Pier Carlo Falotti	59	Director
Jean-Louis Gassée	58	Director
Frank Gill (1)	58	Director
Kee-Lock Chua	41	Director
Ron Croen	48	Director
Peter Pfluger	48	Director
Michael Moone (2)	55	Director-Elect

(1) Mr. Gill will be presented to the shareholders for re-election to the Board of Directors in June 2002.
(2) Mr. Moone will be presented to the shareholders for election to the Board of Directors in June 2002.

Daniel Borel, a founder of the Company, has been the Chairman of the Board since May 1988. From July 1992 to February 1998, Mr. Borel also served as Chief Executive Officer of the Company. He has held various other executive positions with the Company and its predecessors since their founding. Mr. Borel also serves as a director of Phonak Hearing Systems, S.A., a hearing aid device company and Bank Julius Baer, a Swiss bank. Mr. Borel holds an M.S. degree in Computer Science from Stanford University and a degree in Physics from the Ecole Polytechnique Fédérale, Lausanne, Switzerland.

Guerrino De Luca joined the Company as President and Chief Executive Officer in February 1998, and became a member of the Board of Directors in June 1998. Prior to that time, Mr. De Luca served as Executive Vice President of Worldwide Marketing for Apple Computer, Inc., a personal computer company, from February 1997 to September 1997, and as President of Claris Corporation, a personal computing software vendor, from February 1995 to February 1997. Prior to this, Mr. De Luca held various positions with Apple in the United States and Europe. Mr. De Luca holds a B.S. degree in Electronic Engineering from the University of Rome, Italy.

Erh-Hsun Chang joined the Company as Vice President, General Manager, Far Eastern Area and Worldwide Operations in December 1995. In April 1997, Mr. Chang was named Senior Vice President, General Manager, Far Eastern Area and Worldwide Operations. During 1986 and 1987, Mr. Chang held various other positions with the Company. From January 1994 to December 1995, Mr. Chang was Vice President, Sales and Marketing, Power Supply Division, of Taiwan Liton Electronics Ltd., and from December 1991 to January 1994, Mr. Chang was Vice President, Manufacturing Consulting at KPMG Peat Marwick. Mr. Chang holds a B.S. degree in Civil Engineering from Chung Yuang University, Taiwan, an M.B.A. from the University of Dallas, and an M.S. in Industrial Engineering from Texas A&M University.

Wolfgang Hausen has been President and Chief Executive Officer of 3Dconnexion since June 2001. From 1997 to 2001, Mr. Hausen served as Senior Vice President and General Manager, Control Devices Business Division of the Company. From May 1994 to July 1997, Mr. Hausen served as President and Chief Executive Officer of Cardinal Technologies, Inc., a PC multimedia and modem company. From March 1989 to December 1993, Mr. Hausen was Vice President and General Manager of Quantum Corporation, a global supplier of storage products. Mr. Hausen holds an M.S.E.E. from the Technical University of Darmstadt, Germany and an M.B.A. from Santa Clara University, California.

David Henry joined the company as Senior Vice President and General Manager, Control Devices Business Division of the Company in August 2001. Prior to that time, Mr. Henry served as Vice President of Product Management and Business Development of Xigo Inc. from January 2000. From October 1997 to January 2000, Mr. Henry was Vice President and General Manager of Magnetic Products with Iomega. Mr. Henry holds a B.S.M.E. from Union College of Schenectady, New York.

Ted Hoff joined the Company as Vice President, Interactive Entertainment in June 2000. From October 1999 through May 2000, Mr. Hoff was Executive Vice President and Chief Operating Officer of Tranz-Send Broadcasting Network, Inc. Before joining Tranz-Send, Mr. Hoff served as Executive Vice President of Sales and Marketing for RQ Interactive and currently serves on its Board of Directors. From April 1996 to August 1998, Mr. Hoff served as Executive Vice President of Sega of America. Previously, Mr. Hoff held senior executive positions with Atari Corporation, Time Warner and Twentieth Century Fox. Mr. Hoff holds a B.S. degree in Marketing from the University of San Francisco.

Junien Labrousse joined the Company as Vice President, Video Division in 1997. He was named Senior Vice President, Video Division in April, 2001. Prior to joining Logitech, he was Vice President of Engineering from 1995 at Winnov LP, a company engaged in the development and marketing of multimedia products. For over 10 years he held several engineering and management positions at Philips Electronics, NV in research and in the semiconductor business division. Mr. Labrousse holds a M.S.E.E. degree from the Ecole Superieure d Ingenieurs de Marseille, France and an M.B.A. from Santa Clara University, California.

Kristen Onken joined the Company as Senior Vice President, Finance, and Chief Financial Officer in February 1999. From September 1996 to February 1999, Ms. Onken served as Vice President of Finance at Fujitsu PC Corporation. From 1991 to September 1996, Ms. Onken was employed by Sun Microsystems, Inc. first as Controller of the Southwest Area; then from 1992 to 1996 she served as Director of Finance, Sun Professional Services. Ms. Onken holds a B.S. degree from Southern Illinois University and an M.B.A. in Finance from the University of Chicago, Illinois.

Marcel Stolk assumed the responsibility of Senior Vice President, Worldwide Sales and Marketing in March 2001. Mr. Stolk has been with the Company for over 10 years and has held a number of positions within the sales and marketing functions, the latest of which was General Manager, Europe. Before joining Logitech, Mr. Stolk held various sales and marketing positions at Aashima Technology in Holland.

Robert Wick joined Logitech with the acquisition of Labtec Inc. as Senior Vice President of the Audio division in March 2001, and became Senior Vice President in April 2001. Prior to joining Logitech, Mr. Wick was President of Labtec Inc. since December 1998, and assumed the CEO position in August 1999. Prior to joining Labtec, Mr. Wick spent eight years at Weiser Lock, a division of Masco Corporation, in various management positions including Vice President of Finance and Logistics. Mr. Wick holds a B.S. degree in Accounting from the University of Arizona and is a Certified Public Accountant. Mr. Wick also serves on the Board of Directors of JTECH Communications, a manufacturer of on-premises paging systems for the hospitality and other service-oriented industries.

Pier Carlo Falotti joined the board in June 1996. He currently serves as a Management Consultant. Mr. Falotti served as Executive Vice President, Operations Europe for Oracle Corporation, from 1996 to 2000. From 1994 to 1996, Mr. Falotti was the Executive VP of International Operations for AT&T, where he also served as President and CEO for Europe, the Middle East and Africa. From 1992 to 1994, Mr. Falotti served as President and CEO of the ASK Group. From 1969 to 1992, Mr. Falotti was with Digital Equipment Corporation, serving as President and CEO of Digital Europe, Middle East and Africa from 1983. Mr. Falotti holds a degree in Electrical Engineering from the Institute Avogadro, Torino, Italy.

Jean-Louis Gassée has been a director since June 1993. In January 2002, Mr. Gassée joined Computer Access Technology Corporation as President and CEO. He has served as a member of the Board of Directors since September 2000. From October 1990 until December 2001, Mr. Gassée served as Chief Executive Officer of Be Inc. Before founding Be, Mr. Gassée held various executive positions with Apple Computer, Inc. during the period December 1980 to September 1990, including President of the Apple Products Division. He currently serves on the boards of Be Inc., Electronics For Imaging Inc. and 3Com Corporation. Mr. Gassée holds an M.S. degree from the Université de Paris.

Frank Gill has been a director since June 1999. Mr. Gill served in a variety of positions in sales and marketing, product development and manufacturing operations at Intel Corporation from 1975 until his retirement in June 1998, including Executive Vice President in 1996, General Manager of the Internet and Communications Group from 1995 and from 1990 through 1994, General Manager of Intel s Systems Group. He currently serves on the Boards of Tektronix Inc., Inktomi Corporation, Niku Corporation, ITXC Corporation and Pixelworks Inc. Mr. Gill holds a B.S. degree in Electrical Engineering from the University of California, Davis.

Kee-Lock Chua has been a director since June 2000. Mr. Chua joined NatSteel Ltd. as Deputy President in June 2001. From October 2000 until June 2001, Mr. Chua was the president and C.E.O. of Intraco. Prior to joining Intraco, Mr. Chua was the president of MediaRing.com. Mr. Chua was appointed as a Director of MediaRing.com in October 1997. Prior to joining MediaRing.com, Mr. Chua was employed by NatSteel Ltd., most recently as Executive Vice President, responsible for the commercial group, production planning, strategic planning and several overseas operations. Mr. Chua was also a director of NatSteel Electronics Ltd. and NatSteel Broadway Ltd.; both of which companies are involved in contract manufacturing and are listed in the Singapore Stock Exchange. Prior to joining NatSteel Ltd., Mr. Chua worked for Transpac Capital, where he served as Vice President, in charge of direct investments into companies in the United States. Mr. Chua holds a B.S. degree in Mechanical Engineering from the University of Wisconsin, and an M.S. degree from Stanford University.

Ronald Croen has been a director since June 2001. Mr. Croen, a co-founder of Nuance Communications Inc., has served as the President of Nuance since July 1994, as its Chief Executive Officer since October 1995 and as one its directors since October 1995. From 1993 to 1994, Mr. Croen served as a consultant to SRI International. From 1989 to 1993, Mr. Croen was an independent management consultant in Paris, France. Prior to this, Mr. Croen served in various positions at The Ultimate Corp., including Managing Director of European Operations and Vice President and General Counsel. Mr. Croen holds a J.D. degree from the University of Pennsylvania Law School and a B.A. from Tufts University.

Peter Pfluger has been a director since June 2001. From April 2000 to April 2002, Mr. Pfluger served as Chief Executive Officer and Head of the Group Executive Management of the Phonak Group. He also served as Chief Operating Officer of Phonak from 1997 to 2000. Before joining Phonak, Mr. Pfluger was Managing Director of Centre Suisse d Electronique et de Microtechnique, Neuchatel. Before joining the Centre Suisse, he was involved in various research activities, most notably IBM Research Laboratory in San Jose, California. Mr. Pfluger has a Master degree from the Swiss Federal Institute of Technology and a Ph.D. in Natural Science from Basle University. Mr. Pfluger is active within the Commission for Technology and Innovation (CTI) of the Swiss Ministry of Public Economy.

Michael J. Moone is being presented to the shareholders for election to the Board of Directors in June 2002. Since March 2002, Mr. Moone has served as the President, Chief Executive Officer and a member of the Board of Directors of Alloptic, Inc. In addition, since February 2002, Mr. Moone has served as Vice Chairman of Pico Communications. From January 2001 until January 2002, Mr. Moone served as Chief Operating Officer of Harmonic Inc. From January 2000 to January 2001, Mr. Moone was Group Vice President and General Manager of the Consumer Line of Business at Cisco Systems, Inc. From March 1999, Mr. Moone served as President, Chief Executive Officer and a member of the Board of Directors of V-Bits Inc., until its acquisition by Cisco Systems in December 1999. From June 1996 until October 1998, Mr. Moone served as President, Chief Executive Officer and member of the Board of Director of Faroudja Laboratories, Inc. Prior to this time, Mr. Moone held various executive management positions at HealthRider, Merchantec, Atari and Milton Bradley. Mr. Moone holds a B.A. degree from Xavier University.

There are no family relationships among any of our directors or executive officers.

Indemnification of Officers and Directors

The Company has entered into agreements to indemnify its directors and officers. Certain of these agreements are between the respective officer or director and Logitech International S.A., and cover claims brought under U.S. laws to the fullest extent permitted by Swiss law. In addition, the Company s U.S. subsidiary, Logitech Inc., has entered into separate indemnification agreements with the Company s executive officers and directors. The agreements with Logitech Inc. are broader in certain respects than those entered into with Logitech International S.A. These agreements, among other things, indemnify directors and officers for certain expenses (including attorneys fees), judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of the Company, arising out of such person s services as a director or officer of the Company. The Company believes that these provisions and agreements are necessary to attract and retain qualified directors and officers.

At present, there is no pending litigation or proceeding involving any director, officer, employee or agent of the Company as to which indemnification will be required or permitted. The Company is not aware of any threatened litigation or proceeding that might result in a claim for such indemnification.

B. Compensation of Executive Officers and Directors

Non-employee directors received an aggregate cash compensation in the fiscal year ended March 31, 2002 of $99,264. Each non-employee director receives options for 20,000 of the Company s registered shares on their appointment and 10,000 shares upon their re-appointment to the Board of Directors. These options become exercisable over 3 years in equal annual increments. In addition, non-employee directors are paid an annual retainer of $20,000, and receive $1,500 for each board or committee meeting attended. All directors are reimbursed for expenses in connection with attendance at Board and Committee meetings.

Directors who are also employees of the Company do not receive any compensation for their service on the Board of Directors.

The following table sets forth the compensation we paid to non-employee directors and executive officers in all capacities for the year ended March 31, 2002.

	Annual Compensation					
Name of Group	**Salary**	**Bonus**	**Options Granted**	**Exercise Price**	**Expiration Year**	**Other Compensation (1)**
All non-employee directors as a group (6 individuals)	$ 99,264	$	40,000	$ 32.18 to $33.70	2011	$
All executive officers as a group (10 individuals) (2)	$ 2,450,300	$ 1,030,432	670,000	$ 19.22 to $31.60	2011 2012	$ 144,718

(1) Amounts shown represent relocation costs, matching contributions under the Company s 401K plan and the Company s contributions under its foreign pension plan.
(2) Includes the compensation of Mr. David Henry for a partial year.

Logitech s General Compensation Policy

Logitech has designed its compensation programs to attract, develop, retain and motivate the high caliber of executives, managers and staff that is critical to the long-term success of its business. The Company s compensation package is composed of a base salary that is competitive to comparable companies in the industry and region, quarterly and annual cash incentive awards that are based on company performance, and long-term incentive awards that are comprised of stock options.

Employment Agreements and Change in Control Arrangements

Our executive officers generally have a Change of Control Severance Agreements with Logitech. Under the terms of these agreements, if the executive officer s employment is involuntarily terminated or the employee is demoted within twelve months (eighteen months for one individual) after a change in control of Logitech, the executive would receive his or her base salary, annual and quarterly bonuses, and payment of health benefits for up to a year following the termination, as well as 100% vesting of all unvested stock options. In the case of a demotion, the executive officer would be required to remain employed for a period of time (generally 12 months) in order to receive these benefits.

Table of Contents

C. Board Practices

As a Company whose shares are traded both on the Swiss Stock Exchanges and on the NASDAQ National Market, Logitech s commitment to corporate governance practices 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 the Company s Articles of Incorporation, Organizational Regulations, and Board Committee Charters. The current role of the Board and its Committees is outlined in the following pages. The Company also relies on its business ethics and conflict of interest policies as well as its outside auditors and outside legal counsel to contribute to its overall corporate governance.

Role of the Board of Directors

The Board of Directors is elected by the shareholders and holds the ultimate decision making authority of the Company, except for those matters reserved by law or by the Company s Articles of Incorporation to its shareholders. Decisions are taken by the Board as a whole.

The Company s Articles of Incorporation set the minimum number of directors at three. The Company has eight directors as of May 1, 2002. Directors are elected by the shareholders at a shareholders meeting for a term of three years. The Board has appointed executive officers to manage the day-to-day activities of the Company.

The Functioning of the Board

Logitech s Board of Directors is responsible for supervising the management of the business and affairs of the Company. In particular, the primary functions of the Board are:

- setting strategic direction of the Company;
- overseeing the Company s financial accounting, controls, planning and reporting;
- reviewing the performance of the Chief Executive Officer and other executive officers of the Company; and
- ensuring that the Company remains in compliance with applicable laws, the Articles or Incorporation and guidance from the Board.

The agenda for Board meetings is set by the Chairman and the Chief Executive Officer. Any member of the Board may request that a meeting of the Board be convened. The Directors receive materials in advance of Board meetings allowing them to prepare for the handling of the items on the agenda. The Chairman and Chief Executive Officer recommends members of senior management who, at the invitation of the Board, attend Board meetings to report on areas of the business within their responsibility, thereby ensuring that the Board has sufficient information to make appropriate decisions.

During fiscal 2002, the Board met four times. All of our directors attended all of the regularly scheduled and special meetings of the Board and Board Committees on which they served in 2002. The following table sets forth certain information concerning our Board of Directors:

Name	Position	Year First Appointed	Year Current Term Expires
Daniel Borel	Chairman of the Board	1988	Annual General Meeting 2004
Guerrino De Luca	President and Chief Executive Officer, Director	1998	Annual General Meeting 2004
Pier Carlo Falotti (3)	Director	1996	Annual General Meeting 2002
Jean-Louis Gassée (2)	Director	1993	Annual General Meeting 2002
Frank Gill (1) (2) (3)	Director	1999	Annual General Meeting 2002
Kee-Lock Chua (3)	Director	2000	Annual General Meeting 2003
Ron Croen (2)	Director	2001	Annual General Meeting 2004
Peter Pfluger (3)	Director	2001	Annual General Meeting 2004
Michael Moone	Director-Elect	(1)	

(1) Mr.Gill and Mr. Moone are being presented for election to the Board of Directors in June 2002.
(2) Member of the Compensation Committee.
(3) Member of the Audit Committee.

Table of Contents

Board Committees

The Board has standing Audit and Compensation Committees to assist the Board in carrying out its duties. Each of these committees has a written charter approved by the Board. The meeting agendas of the Board Committees are determined by their chairs. The Board Committee members receive materials in advance of Committee meetings allowing them to prepare for the handling of the items on the agenda.

Audit Committee

The Audit Committee assists the Board in monitoring the Company s financial accounting, controls, planning and reporting. Among its duties, the Audit Committee:

- reviews the adequacy of the Company s internal controls;
- reviews the independence, fee arrangements, audit scope, and performance of the Company s independent auditors, and recommends the appointment or replacement of independent auditors to the Board of Directors;
- reviews, before release, the quarterly results and interim financial data; and
- reviews, before release, the audited financial statements and Operating And Financial Review And Prospects contained in the Company s Annual Report on Form 20-F.

In fiscal 2002, the Audit Committee was composed of Pier Carlo Falotti, Kee-Lock Chua, Peter Pfluger, and Frank Gill. The Board has determined that each member of the audit committee meets the independence requirements of the Nasdaq National Market listing standards. The Audit Committee met five times in fiscal 2002.

Compensation Committee

The Compensation Committee reviews and recommends to the Board for approval the compensation of Company executives. In fiscal 2002, the Compensation Committee consisted of Jean-Louis Gassée, Ronald Croen and Frank Gill. The Committee met once during the year and each month considers for approval option grants to Company employees by written consent.

In addition, a committee of the Board exists to determine the compensation of the members of the Board. This committee consists of the Chairman of the Board and one additional Board member.

D. Employees

We employed the following numbers of employees:

	As of March 31,		
Category	**2002**	**2001**	**2000**
Research and development	391	306	240
Manufacturing and distribution	3,189	3,741	3,460
Marketing, sales and support	437	375	320
Administration	387	372	330
Total	4,404	4,794	4,350

Of the total number of employees, as of March 31, 2002, 577 were in North America, 342 were in Europe and 3,485 were in Asia. The 2001 figure above included 139 employees added by the Labtec acquisition.

None of the Company s U.S. employees is represented by a labor union or subject to a collective bargaining agreement. Certain foreign countries, such as China, provide by law for employee rights which include requirements similar to collective bargaining agreements. The Company believes that its employee relations are good.

E. Share and Option Ownership

The following table presents information regarding the share and option ownership of our registered shares, including shares represented by American Depositary Receipts, as of May 1, 2002 by our non-employee directors and executive officers as a group:

34

Table of Contents

Name	Shares Owned	% of Outstanding (1)	Options Held (2)	Exercise Price per share	Expiration Year
All non-employee directors as a group (6 individuals)	10,300	0.02%	220,000	$ 4.04 to $33.70	2006 2011
All executive officers as a group (10 individuals) (3)	3,291,326	6.90%	2,558,017	$ 2.35 to $34.00	2008 2012

(1) Percentage ownership is calculated based on 47,901,655 registered shares outstanding as of May 1, 2002.

(2) Options for shares were granted under stock option plans to purchase registered shares, including shares represented by ADSs. Exercise prices per registered share are generally equal to the fair market value of registered shares on the date of grant. Options generally vest over four years and remain outstanding for periods not exceeding ten years.

(3) Includes 127,000 registered shares registered in the name of Sylviane Borel (Mr. Borel s wife). Mr. Borel disclaims beneficial ownership of the registered shares registered in the name of his wife.

Stock Compensation Plans

Logitech believes equity compensation is an important part of attracting and retaining high-calibre employees and to align the interests of management and the directors of the Company with the interests of the shareholders. Accordingly, Logitech maintains stock purchase and stock option plans for its employees.

Under the 1996 Employee Share Purchase Plan, eligible employees may purchase registered 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 exercised at the end of each offering period.

Under the 1988 Stock Option Plan, options to purchase registered shares were granted to employees and consultants at exercise prices ranging from zero to amounts in excess of the fair market value of the registered shares on the date of grant. The terms and conditions with respect to options granted were determined by the Board of Directors who administered this plan. Options generally vest over four years and remain outstanding for periods not exceeding ten years. Further grants may not be made under this plan.

Under the 1996 Stock Option Plan, options for registered shares may be granted to employees at exercise prices of not less than 100% of the fair market value of the registered shares on the date of grant. A total of 12,000,000 registered shares may be issued under this plan. Options generally vest over four years and remain outstanding for periods not exceeding ten years.

The Company also maintains one other option plan, for a small number of Asian executives, under which options were granted at exercise prices discounted from fair market value of the registered shares on the date of grant. No further stock options may be granted under this plan.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth certain information known to the Company with respect to beneficial ownership of the Company s registered shares, including shares represented by ADSs, as of May 1, 2002 by each shareholder known by the Company to be the beneficial owner of more than five percent of the Company s registered shares. To the knowledge of the Company, it is not directly or indirectly owned or controlled by any corporation or by any foreign government. The Company is unaware of any arrangement which it anticipates will result in a change in its control.

Name of Beneficial Owner	Shares Beneficially Owned(1)	Percentage(2)
Daniel Borel (3)	3,264,500	6.8%
Fidelity Management Trust Corporation	3,609,505	7.5%

Table of Contents

(1) Beneficial ownership is determined in accordance with rules of the Securities and Exchange Commission that deem shares to be beneficially owned by any person who has or shares voting or investment power with respect to such shares. All information with respect to the beneficial ownership of any principal shareholder has been furnished by such shareholder and, unless otherwise indicated below, the persons named in the table have sole voting and sole investment power with respect to all shares shown as beneficially owned, subject to community property laws where applicable. Registered shares subject to options that are currently exercisable or exercisable within 60 days after May 1, 2002 are deemed to be issued and to be beneficially owned by the person holding such options or warrants for the purpose of computing the percentage ownership of such person but are not treated as issued for the purpose of computing the percentage ownership of any other person.
(2) Percentage ownership is calculated based on 47,901,655 registered shares outstanding as of May 1, 2002.
(3) Includes 127,000 registered shares registered in the name of Sylviane Borel (Mr. Borel s wife). Mr. Borel disclaims beneficial ownership of the registered shares registered in the name of his wife.

As of May 1, 2002, according to the records of the Bank of New York, approximately 1,984,827 ADSs were outstanding in the United States. At that date, the number of individual ADS holders of record with the Bank of New York was approximately 2,800.

B. Related Party Transactions

In fiscal 2000, the Company made an investment in a privately held technology company. Certain executive officers of the Company also purchased stock of the private issuer from the Company. At the time of these transactions, the Company loaned executive officers a total principal amount of $317,500 for the purchase of this stock at interest rates determined by reference to the applicable federal rate of interest. The maximum amount outstanding on these loans during the fiscal year was $335,900, including interest. The executive officers repaid the loans in full in May 2002. Special bonuses totaling $303,200 were paid to certain of the executive officers, and used by them to repay these loans in full.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Please see Item 18 Financial Statements and pages F-1 through F-25 of our Consolidated Financial Statements. In addition, for more information regarding the percentages and amounts of our revenues from customers located in the United States and outside of the United States, please see Item 5 Operating and Financial Review and Prospects and the Notes to the Consolidated Financial Statements.

Legal Proceedings

From time to time, Logitech becomes involved in claims and legal proceedings that arise in the ordinary course of its business. We are currently subject to several such claims and legal proceedings. We believe that all of these pending lawsuits are without merit and intend to defend against them vigorously. See discussion in Item 3.D Risk Factors *Pending lawsuits could adversely impact us.*

Dividends

Under Swiss law, a corporation pays dividends upon a vote of its shareholders. This vote typically follows the recommendation of the corporation s board of directors. Although we have paid dividends in the past, our board of directors announced in 1997 its intention not to recommend to shareholders any payment of cash dividends in the future in order to retain any future earnings for use in the operation and expansion of our business.

B. Significant Changes

None.

Table of Contents

ITEM 9. THE OFFER AND LISTING

On March 27, 1997, the Company consummated a public offering in the U.S. of 400,000 registered shares, represented by 4,000,000 ADSs. On April 25, 1997, the Company sold an additional 60,000 registered shares, represented by 600,000 ADSs, pursuant to an option granted to the underwriters in the offering to cover over-allotments. Each ADS represented one-tenth of one registered share.

In July 2000, Logitech completed a two-for-one stock split. The stock split did not alter the ADS to share ratio. In June 2001, the Company s shareholders approved a ten-for-one stock split that was effected on August 2, 2001. The stock split related only to shares traded on the Swiss Exchange. As a result, the ratio of ten ADSs to one registered share changed to a new ratio of one ADS to one registered share. All references to share and per share data for all periods presented have been adjusted to give effect to both the two-for-one and the ten-for-one stock split.

On June 8, 2001, Logitech sold CHF 170,000,000 (US $95,625,000) aggregate principal amount of its 1% Convertible Bonds 2001-2006, which mature in five years. The Company registered the convertible bonds for resale with the Swiss Stock Exchange. The convertible bonds were issued in denominations of CHF 5,000 at par value, with interest at 1.00% payable annually, and final redemption in June 2006 at 105%, representing a yield to maturity of 1.96%. The convertible bonds are convertible at any time into shares of Logitech registered shares at the conversion price of CHF 62.4 (US $38.60) per share. Early redemption is permitted at any time at the accreted redemption amount, subject to certain requirements.

Market Price Information

Registered Shares. The Company s registered shares are listed and principally traded on the Swiss Exchange, where prices are expressed in Swiss francs. The table below presents, for the registered shares on the Swiss Exchange (i) the annual high and low market prices for the five most recent full financial years, (ii) the high and low market prices for each full financial quarter for the two most recent full years and any subsequent period, and (iii) the high and low market prices for each month for the most recent six months. For each of the periods indicated, the information presented is based on (i) the high and low closing sales prices quoted in Swiss francs for the registered shares on the Swiss Exchange, and (ii) the U.S. dollar equivalent based on the Noon Buying Rate on the last trading day of the periods presented. 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.

37

Table of Contents

	Price per Registered Share			
	High	**Low**	**High**	**Low**
	CHF	**CHF**	**$**	**$**
Annual Highs and Lows				
Fiscal 1998	14.40	10.28	9.95	6.75
Fiscal 1999	12.00	5.58	7.92	4.06
Fiscal 2000	62.50	9.40	37.58	6.04
Fiscal 2001	62.40	33.20	36.14	20.49
Fiscal 2002	79.70	29.00	47.38	18.29
Quarterly Highs and Lows				
Fiscal 2001:				
First quarter	60.00	42.45	36.77	26.02
Second quarter	62.40	45.00	36.14	26.06
Third quarter	56.90	33.20	35.12	20.49
Fourth quarter	53.00	35.70	30.53	20.57
Fiscal 2002:				
First quarter	57.60	37.10	32.06	21.89
Second quarter	58.00	29.00	32.22	18.29
Third quarter	63.50	29.80	38.29	18.44
Fourth quarter	79.70	58.50	47.38	35.31
Monthly Highs and Lows				
November 2001	60.00	47.90	36.07	29.49
December 2001	63.50	56.60	38.29	34.21
January 2002	71.85	58.50	42.20	35.21
February 2002	74.00	68.85	43.58	40.29
March 2002	79.70	69.00	47.38	40.71
April 2002	79.70	69.05	47.99	41.43

*American Depositary Shares***.** The ADSs are traded on the Nasdaq National Market. The table below presents, for ADSs on the Nasdaq National Market (i) the annual high and low market prices for the five most recent full finiancial years, (ii) the high and low market prices for each full financial quarter for the two most recent full financial years and any subsequent period, and (iii) the high and low market prices for each month for the most recent six months.

Table of Contents

	High	Low
Annual Highs and Lows		
Fiscal 1998	$ 9.50	$ 7.00
Fiscal 1999	$ 7.88	$ 4.25
Fiscal 2000	$ 37.50	$ 6.13
Fiscal 2001	$ 38.25	$ 18.75
Fiscal 2002	$ 48.25	$ 18.12
Quarterly Highs and Lows		
Fiscal 2001:		
First quarter	$ 36.50	$ 25.38
Second quarter	$ 38.25	$ 26.00
Third quarter	$ 32.13	$ 18.75
Fourth quarter	$ 32.06	$ 20.63
Fiscal 2002:		
First quarter	$ 32.25	$ 21.38
Second quarter	$ 32.37	$ 18.12
Third quarter	$ 39.19	$ 19.40
Fourth quarter	$ 48.25	$ 35.00
Monthly Highs and Lows		
November 2001	$ 36.95	$ 29.38
December 2001	$ 39.19	$ 34.00
January 2002	$ 42.00	$ 35.00
February 2002	$ 43.55	$ 39.54
March 2002	$ 48.25	$ 40.70
April 2002	$ 48.75	$ 41.35

B. Plan of Distribution

Not applicable.

C. Markets on which our Shares Trade

Logitech Registered Shares and Convertible Bonds.

The principal trading market for our registered shares and our convertible bonds is the Swiss Exchange, on which our registered shares have been traded since 1988 under the symbol LOGN . As of May 1, 2002, there were 47,901,655 registered shares issued and outstanding (less 2,003,278 shares held as treasury stock) held by 4,640 holders of record.

Trading Practices and Procedures on the Swiss Exchange

The Swiss Exchange is a private organization comprised of 104 members as of January 31, 2002. There are approximately 260 Swiss companies and 149 foreign companies listed on the Swiss Exchange. Securities traded on the Swiss Exchange include Swiss and foreign bonds, equities, investment funds, rights and warrants.

The Swiss Exchange is an order-driven exchange system. Transactions on the Swiss Exchange are transmitted electronically via a high-speed computer processing center. Trading is divided into three separate phases: pre-opening, opening and continuous trading. During the pre-opening phase, the system is available for entries into the order book, inquiries and reporting off-exchange transactions, which are subject to additional regulations. During the opening phase, the system fixes the opening price for the particular security. During the continuous trading phase orders are matched. The Swiss Exchange interrupts, for limited periods, trading in a security that is subject to significant price fluctuation.

Logitech American Depositary Shares

The Logitech ADSs, each representing one registered share, have since March 27, 1997 been listed on the Nasdaq National Market under the symbol LOGI . The Bank of New York serves as depositary with respect to the Logitech ADSs traded on that market.

D. Selling Shareholder

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Set out below is certain information concerning the Company s share capital and a brief summary of the material provisions of the Company s articles of incorporation and the Swiss Code of Obligations, all as currently in effect. For a further discussion, we incorporate by reference the Description of Logitech Shares and the Description of Logitech American Depositary Shares included in our Registration Statement on Form F-4/A filed with the United States Securities Commission on March 13, 2001. The description is a summary, which does not purport to be complete, and is qualified in its entirety by reference to the articles of incorporation and Swiss law.

Purpose of the Company

Article 2 of the Company s articles of association establishes that the principal object of the Company is the coordination of the activity of its Swiss and foreign subsidiaries.

Directors

The Board of Directors may pass resolutions with respect to all matters which are not reserved to the general meeting of shareholders. Members of the Board of Directors must retire on their seventieth birthday, except if the Board of Directors adopts a resolution to the contrary. The retirement is effective on the date of the next general meeting of shareholders.

Disclosure of Principal Shareholders

Under the applicable provisions of the Swiss Stock Exchange Act, shareholders (and groups of shareholders acting in concert) who own shares or other securities representing more than 5 percent, 10 percent, 20 percent, 33 $^{1}/3$ percent, 50 percent or 66 $^{2}/3$ percent of the voting rights of a company incorporated in Switzerland of which at least one class of its equity securities is listed on the Swiss Exchange are required to notify the company and the Swiss Exchange of such holdings, whether or not the voting rights can be exercised. Following receipt of such notification, the company is required to inform the public. The same disclosure obligation applies to subsequent reductions in the holding of voting rights below the thresholds described above.

C. Material Contracts

In March 2001, we entered into an agreement to acquire Labtec Inc., a publicly traded Vancouver, Washington-based provider of PC speakers, headsets and microphones. Under the terms of the merger agreement, Logitech purchased all outstanding shares of Labtec for $73 million in cash and stock, plus $3.3 million of transaction costs.

In May 2001, we completed a CHF 170 million bond offering (approximately U.S. $100 million). The terms of the convertible offering have been fixed at a coupon rate of 1% per annum and an initial conversion price of CHF 624. The redemption price at maturity in the event of a non-conversion has been set at 105%.

There are no other material contracts entered into other than in the ordinary course of business.

D. Exchange Controls

As a Swiss corporation, the Company is subject to certain requirements not generally applicable to corporations organized in United States jurisdictions. Among other things, the issuance of capital stock by the Company generally must be submitted for approval at a general meeting of shareholders. In addition, the issuance of capital stock is generally subject to shareholder preemptive rights, except to the extent that such preemptive rights have been excluded or limited by the shareholders.

U.S. securities laws may restrict the ability of U.S. persons who hold ADSs to participate in certain rights offerings or share or warrant dividend alternatives which the Company may undertake in the future in the event the Company is unable or chooses not to register such securities under the U.S. securities laws and is unable to rely on an exemption from registration under such laws. While the Company is not currently planning any such transaction, the Company may take such actions in the future and there can be no assurance that it will be feasible to include U.S. persons in any such transaction. If the Company issues any such securities in the future, such securities may be issued to the Depositary, which may sell such securities for the benefit of the holders of the ADSs. There can be no assurance as to the value, if any, the Depositary would receive upon the sale of such securities.

There are no legislative or other legal provisions currently in effect in Switzerland or arising under the Articles of Incorporation of the Company restricting the export or import of capital, including but not limited to, the availability of cash and cash equivalents for or by the Company s group, or that affect the remittance of dividends, interest or other payments to nonresident holders of securities of the Company. Cash dividends payable in Swiss francs on shares and ADSs may be officially transferred from Switzerland and converted into any other convertible currency. There are no limitations imposed by Swiss laws or the Company s Articles on the right of non-Swiss residents to hold or vote the shares or ADSs.

E. Taxation

The following is a summary of certain Swiss tax matters that may be relevant with respect to the acquisition, ownership and disposition of registered shares or ADSs (which are evidenced by ADRs).

This summary addresses laws in Switzerland as in effect on the date hereof, as well as the 1997 Convention (entered into force on December 1997) between the United States of America and the Swiss Confederation for the Avoidance of Double Taxation with Respect to Taxes on Income (the Treaty), both of which are subject to change (or changes in interpretation), possibly with retroactive effect.

For purposes of the Treaty and the Internal Revenue Code of 1986, as amended (the Code), United States Holders of ADSs are treated as the owners of the registered shares corresponding to such ADSs. Accordingly, the Swiss tax consequences discussed below also generally apply to United States holders of registered shares.

Swiss Taxation

Gain on Sale

Under present Swiss law, a holder of registered shares or ADSs who (i) is a non-resident of Switzerland, (ii) during the taxable year has not engaged in a trade or business through a permanent establishment within Switzerland and (iii) is not subject to taxation by Switzerland for any other reason, will be exempted from any Swiss federal, cantonal or municipal income or other tax on gains realized during the year on the sale of registered shares or ADSs.

Stamp, Issue and Other Taxes

Switzerland generally does not impose stamp, registration or similar taxes on the sale of registered shares or ADSs by a holder thereof unless such sale or transfer occurs through or with a Swiss securities dealer (as defined in the Swiss Stamp Duty Law).

Withholding Tax

Under present Swiss law, any dividends paid in respect of registered shares will be subject to the Swiss Anticipatory Tax at the rate of 35%, and the Company will be required to withhold tax at such rate from any dividend payments made to a holder of registered shares. Such dividend payments may qualify for reduction of or refund of the Swiss Anticipatory Tax by reason of the provisions of a double tax treaty between Switzerland and the country of residence or incorporation of a holder, and in such cases such holder will be entitled to claim a refund of all or a portion of such tax in accordance with such treaty. The Treaty provides for a mechanism whereby a United States resident or United States corporations can generally seek a refund of the Swiss Anticipatory Tax paid on dividends in respect of registered shares, to the extent such withholding exceeds 15%. A United States corporation that holds more than 10% of the share capital of a Swiss company can seek a refund of the Swiss Anticipatory Tax paid on dividends to the extent such withholding tax exceeds 5% under the double tax treaty.

Table of Contents

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

Whenever a reference is made in this Form 20-F to any contract, agreement or other document, the reference may not be complete and you should refer to the copy of that contract, agreement or other document filed as an exhibit to one of our previous SEC filings. We file annual and special reports and other information with the SEC. You may read and copy all or any portion of this Form 20-F and any other document we file with the SEC at the SEC s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. Such material may also be obtained at the Internet site the SEC maintains at www.sec.gov.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURE 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

Currently, the Company s primary exposures relate to non-U.S. dollar denominated sales in Europe and Asia and non-U.S. dollar denominated operating expenses, inventory costs and long term debt in Europe and Asia. The principal currencies creating foreign exchange rate risk for the Company are the Euro, Taiwan Dollar, Swiss Franc and Japanese Yen.

For the year ended March 31, 2002, approximately 52% of the Company s sales were denominated in non-U.S. currencies. With the exception of its manufacturing subsidiaries in China, which use the U.S. dollar as their functional currency, the Company primarily uses the local currencies of its foreign subsidiaries as the functional currency. Accordingly, unrealized foreign currency gains or losses resulting from the translation of net assets 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 Company estimates that if the U.S. dollar had appreciated by an additional 10% as compared to the functional currencies used by its foreign subsidiaries, net income for the year ended March 2002 would have been adversely impacted by approximately $17.6 million.

On June 8, 2001 the Company sold CHF 170 million (US $95.6 million) Swiss Franc denominated 1% Convertible Bonds which mature in five years. Although the Company is exposed to foreign exchange risks on this long-term obligation, the Swiss Franc liability serves to partially offset the effect of exchange rate fluctuations on assets held in European currencies. Unrealized gains or losses resulting from translation of the bonds to the U.S. dollar are accumulated in the cumulative translation adjustment component of other comprehensive loss in shareholders equity. At March 31, 2002, the carrying amount of the convertible bonds was US $101.9 million, which reflects the exchange rate fluctuation of $5.5 million during fiscal 2002 and the accretion of the redemption premium over the life of the debt. If the U.S. dollar strengthened by 10% in comparison to the Swiss Franc, the increase in the cumulative translation adjustment component of shareholders equity would have been $9.2 million. If the U.S. dollar weakened by 10% in comparison to the Swiss Franc, a decrease of approximately $11.2 million would have occurred in the cumulative translation adjustment component of shareholders equity.

Table of Contents

From time to time, certain subsidiaries enter into forward exchange contracts to hedge inventory purchase exposures denominated in U.S. dollars. The amount of the forward exchange contracts is based on forecasts of inventory purchases. These forward exchange contracts are denominated in the same currency as the underlying transactions. Logitech does not use derivative financial instruments for trading or speculative purposes. At March 31, 2002, the notional amount of forward foreign exchange contracts outstanding was $7 million. These forward contracts generally mature within three months. As of March 31, 2002, unrealized gains on the fair value of outstanding foreign exchange hedging contracts were $0.1 million. If there is a 10% increase in the rate at which a foreign currency is exchanged for U.S. dollars, an approximate $.4 million unrealized loss in the Company s forward foreign exchange contract portfolio would have occurred. If there were a 10% decrease in the foreign currency exchange rate for U.S. dollars, an unrealized gain of approximately $.8 million in the Company s forward foreign exchange contract portfolio would have occurred.

Interest Rates

The Company s long-term debt is fixed rate. A change in market interest rates, therefore, has no impact on interest expense or cash flows.

Changes in interest rates could impact the Company s anticipated interest income on its cash equivalents 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 10% adverse or favorable change in interest rates from the fiscal 2002 and 2001 year end rates would not have a material adverse effect on the Company s results of operations, cash flows or financial condition for the next year.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

43

Part II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

On July 5, 2000, a two-for-one stock split became effective resulting in one additional ADS being issued to ADS holders for each ADS held by ADS holders of record. Each ADS represents one-tenth of a registered share.

In August 2001, the Company completed a ten-for-one stock split for shares traded on the Swiss Exchange. ADSs traded on NASDAQ were not affected. As a result, the ratio of ten ADSs to one registered share changed to a new ratio of one ADS to one registered share.

ITEM 15. [RESERVED]

ITEM 16. [RESERVED]

Part III

ITEM 17. FINANCIAL STATEMENTS

The Company has responded to Item 18.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to pages F-1 through F-23.

ITEM 19. EXHIBITS

a. Financial Statements
Report of Independent Accountants
Consolidated balance sheets at March 31, 2002 and 2001
Consolidated statements of income for the years ended March 31, 2002, 2001 and 2000
Consolidated statements of cash flows for the years ended March 31, 2002, 2001 and 2000
Consolidated statements of changes in shareholders equity for the years ended March 31, 2002, 2001 and 2000
Notes to consolidated financial statements
Quarterly Summary
Schedule II Valuation and qualifying accounts

Table of Contents

b. Exhibits

Exhibit Number	Description of Document
2.1	Agreement and Plan of Merger, dated February 7, 2001, by and among Logitech International S.A., Logitech Inc., Thunder Acquisition Corp., and Labtec Inc. (incorporated by reference to Exhibit 2.1 to Logitech International S.A. s Report on form 6-K filed on February 16, 2001)
3.1	Articles of Incorporation of Logitech International S.A. (incorporated herein by reference to exhibit 3.1 to Logitech International S.A. s Report on form F-4 filed on February 23, 2001)
3.2	Organizational Regulations of Logitech International S.A. (incorporated herein by reference to exhibit 3.2 to Logitech International S.A. s Report on form F-4 filed on February 23, 2001)
4.1	Deposit Agreement, dated as of March 27, 1997, among Logitech International S.A., The Bank of New York as Depositary, and holders from time to time of American Depositary Shares issued thereunder (incorporated herein by reference to exhibit 4.1 to Logitech International S.A. s Report on form F-4 filed on February 23, 2001)
4.2	Amendment No. 1 to Deposit Agreement, dated July 5, 2000, among Logitech International S.A., The Bank of New York as Depositary and the holders from time to time of American Depositary Shares issued thereunder (incorporated herein by reference to exhibit 4.2 to Logitech International S.A. s Report on form F-4 filed on February 23, 2001)
10.1	1996 Employee Share Purchase Plan (incorporated herein by reference to exhibit included in the Registrant s registration Statement on Form F-1 declared effective by Securities and Exchange Commission on March 19, 1997.)
10.2	1988 Stock Option Plan, including the U.S. Sub-Plan and the Swiss Sub-Plan (incorporated herein by reference to exhibit included in the Registrant s registration Statement on Form F-1 declared effective by Securities and Exchange Commission on March 19, 1997.)
10.3	1996 Stock Plan (incorporated herein by reference to exhibit 4.2 to Logitech International S.A. s Report on form S-8 filed on November 10, 1998)
10.8	Form of Indemnification Agreement with Logitech International S.A. (incorporated herein by reference to exhibit included in the Registrant s registration Statement on Form F-1 declared effective by Securities and Exchange Commission on March 19, 1997.)
10.9	Form of Indemnification Agreement with Logitech Inc. (incorporated herein by reference to exhibit included in the Registrant s registration Statement on Form F-1 declared effective by Securities and Exchange Commission on March 19, 1997.)
10.10	Credit Agreement dated March 2001, by and between Logitech International S.A. and Credit Suisse (incorporated herein by reference to exhibit 10.2 to Logitech International S.A. s Report on form F-4/A filed on March 13, 2001)
21.1	List of Subsidiaries of the Registrant
23.1	Consent of PricewaterhouseCoopers SA, Independent Accountants.
99.1	Bond Purchase, Paying and Conversion Agency Agreement, dated as of June, 1, 2001 by and among Logitech (Jersey) Limited, Logitech International S.A., Credit Suisse First Boston and Banque Cantonale Vaudoise (incorporated herein by reference to exhibit included in the Registrant s Report on Form 6-K filed on August 14, 2001).
99.2	Deposit Agreement, dated as of June 1, 2001 by and among Logitech (Jersey) Limited, Logitech International S.A. and Credit Suisse (incorporated herein by reference to exhibit included in the Registrant s Report on Form 6-K filed on August 14, 2001).
99.3	Guarantee, dated as of June 8, 2001 by Logitech International S.A. (incorporated herein by reference to exhibit included in the Registrant s Report on Form 6-K filed on August 14, 2001).

Table of Contents

SIGNATURES

The registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf.

Logitech International S.A.

By: /s/ Guerrino De Luca

____

Guerrino De Luca
President and Chief Executive Officer

By: /s/ Kristen M. Onken

____

Kristen M. Onken
Chief Financial Officer,
Chief Accounting Officer,
and U.S. Representative
June 11, 2002

46

Table of Contents

LOGITECH INTERNATIONAL S.A.

INDEX TO FINANCIAL STATEMENTS

	Page
Report of Independent Accountants	F-2
Consolidated balance sheets at March 31, 2002 and 2001	F-3
Consolidated statements of income for the years ended March 31, 2002, 2001 and 2000	F-4
Consolidated statements of cash flows for the years ended March 31, 2002, 2001 and 2000	F-5
Consolidated statements of changes in shareholders equity for the years ended March 31, 2002, 2001 and 2000	F-6
Notes to consolidated financial statements	F-7
Quarterly Summary	F-23

Table of Contents

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
Logitech International S.A.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of changes in shareholders equity present fairly, in all material respects, the financial position of Logitech International S.A. and its subsidiaries at March 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2002, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed at Item 19 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers SA

M. Foley C. Pointet
Lausanne, Switzerland
April 19, 2002

F-2

Table of Contents

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

	March 31,	
	2002	**2001**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 143,101	$ 44,142
Accounts receivable	171,103	144,781
Inventories	85,124	111,612
Other current assets	36,586	29,558
Total current assets	435,914	330,093
Investments	8,713	16,649
Property, plant and equipment	32,086	38,160
Intangible assets:		
Goodwill	102,017	95,197
Other intangible assets	15,358	18,726
Other assets	4,756	6,291
Total assets	$ 598,844	$ 505,116
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Short-term debt	$ 5,527	$ 62,986
Accounts payable	91,368	91,267
Accrued liabilities	73,309	59,054
Total current liabilities	170,204	213,307
Long-term debt	104,812	26,908
Other liabilities	811	8,847
Total liabilities	275,827	249,062
Contingencies (Note 8)		
Shareholders equity:		
Registered shares, par value CHF 1 51,659,535 authorized, 11,440,465 conditionally authorized, 47,901,655 issued and outstanding at March 31, 2002; 53,176,490 authorized, 9,923,510 conditionally authorized, 44,418,610 issued and outstanding at March 31, 2001	33,370	31,396
Additional paid-in capital	134,312	118,740
Less registered shares in treasury, at cost, 2,083,003 at March 31, 2002 and 164,750 at March 31, 2001	(15,819)	(627)
Retained earnings	204,391	129,435
Accumulated other comprehensive loss	(33,237)	(22,890)
Total shareholders equity	323,017	256,054
Total liabilities and shareholders equity	$ 598,844	$ 505,116

The accompanying notes are an integral part of these financial statements

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

	Year ended March 31,		
	2002	**2001**	**2000**
Net sales	$ 943,546	$ 735,549	$ 592,096
Cost of goods sold	627,998	502,290	408,969
Gross profit	315,548	233,259	183,127
Operating expenses:			
Marketing and selling	130,060	105,140	79,389
Research and development	50,531	36,686	31,666
General and administrative	37,739	33,484	31,102
Purchased in-process research and development		3,275	
Total operating expenses	218,330	178,585	142,157
Operating income	97,218	54,674	40,970
Interest income (expense), net	(1,956)	(148)	(163)
Other income (expense), net	(1,567)	2,628	(3,252)
Income before income taxes	93,695	57,154	37,555
Provision for income taxes	18,739	12,086	7,511
Net income	$ 74,956	$ 45,068	$ 30,044
Net income per share and ADS:			
Basic	$ 1.67	$ 1.07	$ .76
Diluted	$ 1.50	$ .96	$ .69
Shares used to compute net income per share and ADS:			
Basic	44,928,853	42,226,240	39,769,900
Diluted	50,939,060	46,940,170	43,759,940

The accompanying notes are an integral part of these financial statements

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

	Year ended March 31,		
	2002	**2001**	**2000**
Cash flows from operating activities:			
Net income	$ 74,956	$ 45,068	$ 30,044
Non-cash items included in net income:			
Depreciation	28,092	19,012	15,775
Amortization of goodwill		693	693
Amortization of other intangible assets			