

OVERVIEW

Samsonite International S.A. is the world's largest travel luggage company by retail sales value in 2010⁽¹⁾, with a 100-year heritage. Our core brand, *Samsonite*, is one of the most well-known travel luggage brands in the world. We are engaged in the design, marketing and sale of travel, business and casual luggage as well as travel accessories. In 2010, our products were sold in more than 37,000 points of sale in over 100 countries through a variety of wholesale and retail distribution channels.

Our market-leading position results from our strong international brand presence, our significant scale, our robust investment on advertising and product innovation, our scalable distribution and sourcing ability, and our market-leading, high-quality products.

In 2010, we had net sales of US\$1,215.3 million and Adjusted EBITDA of US\$191.9 million, representing an increase of 18.1 percent and 241.4 percent, respectively, over 2009. We are growing fastest in some of our highest margin markets. Our net sales in Asia, which accounted for 33.3 percent of our total net sales in 2010, increased by 45.1 percent over 2009. Asia was our most profitable region in 2010, with an Adjusted EBITDA margin of 19.8 percent, and accounted for 41.7 percent of our Adjusted EBITDA.

As the world's largest travel luggage company in a fragmented global market, with annual retail sales value approximately six times larger than our nearest direct competitor, we are well-positioned to expand our share of the growing US\$24.7 billion global luggage market:

- in the emerging high-growth Asian market, where our net sales grew at a CAGR of approximately 23 percent between 2001 and 2010, and which included three of our top five markets by net sales (China, India and South Korea) in 2010, in each of which we were the luggage market leader;
- in the large and developed European and North American markets, where we expect our strong brands, significant scale and well-established distribution networks will enable us to capitalize on the continuing economic recovery in each of these markets to increase net sales faster than the market and expand in the business and casual luggage product categories; and
- in the Latin American market, which includes a mix of our more established markets such as Chile, Mexico and Argentina, and higher growth markets such as Brazil.

We sell our products under the brand names *Samsonite* and *American Tourister*. These venerable and respected brands are recognized for their heritage and have been characterized by quality, durability, functionality and innovation for decades. *Samsonite* is our premium brand, which, given its high brand recognition and popularity with consumers, is eagerly sought by department stores and luggage retailers around the world. *American Tourister*, by targeting more value-conscious consumers, is positioned to complement *Samsonite*, and allows us to cover both the premium and mid-market segments in the travel luggage market globally.

(1) See "*Industry Overview*" for more information on our leading competitive position by retail sales value according to Frost & Sullivan.

BUSINESS

Samsonite was founded in 1910 in Denver, Colorado, as a trunk manufacturing company. In 1993, we bolstered our brand portfolio with the acquisition of the well-known *American Tourister* luggage brand. Over the last century, we have developed and/or widely commercialized numerous innovations in luggage, from lightweight plastic hard-side suitcases, upright luggage and luggage with wheels, to the more recent four-wheeled spinners and very lightweight hard-side and soft-side technology. Highly-skilled design teams located in each of our four regions continue this tradition of offering innovative luggage products. With 65 employees working on research and development as of December 31, 2010, supported by expenditures of approximately US\$35.0 million in aggregate for the three years ended December 31, 2010, we possess a strong infrastructure for future innovation and product design.

In the last ten years we have managed our cost base and optimized production by moving from being primarily a manufacturer to primarily a distributor and marketer of luggage designed by us and sourced from third party suppliers as well as by rationalizing our warehousing and distribution networks. In 2010, approximately 94 percent of our products were produced by third-party manufacturers, located primarily in China as well as a number of other Asian countries. This outsourcing keeps our fixed cost base low, and allows us to allocate production to the most competitive suppliers. Our in-house manufacturing facilities produce mainly hard-side luggage, including the entire supply of products using the Curv material. See “—*Sourcing and Manufacturing.*”

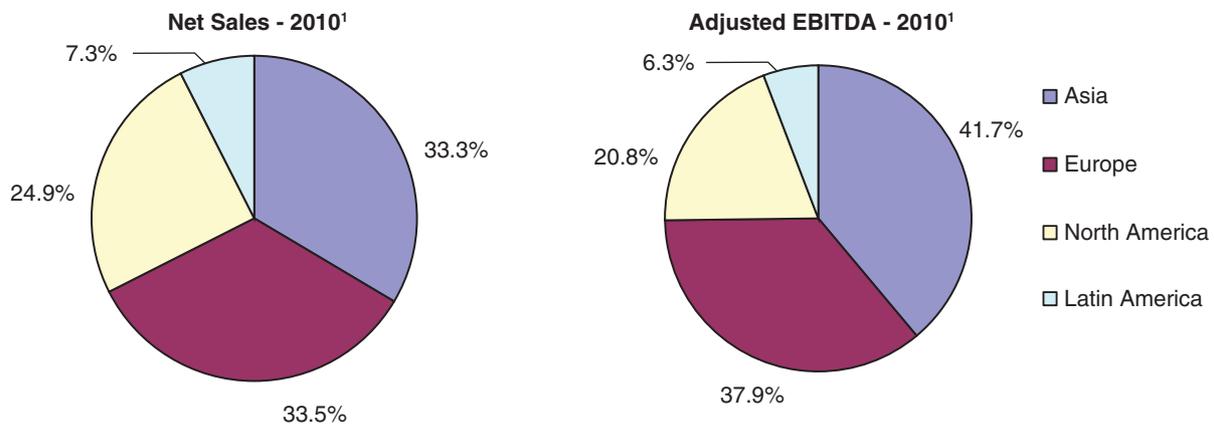
We sell our products through wholesale and retail distribution channels. We are predominantly a wholesale business. In December 2010, we operated through more than 37,000 points of sale, made up of 36,384 wholesale points of sale and 734 retail points of sale. In 2010, approximately 80 percent of our net sales came from our wholesale channel and approximately 19 percent came from our retail channel. Our wholesale points of sale fall into four categories: department stores and shop-in-shops, luggage specialty stores, mass merchants/hypermarkets and discounters, and internet retailers and other smaller channels. Our retail points of sale consist of our Company-owned stores and, particularly in India, our network of preferred dealers.

Like many companies in the global consumer products business, we were significantly affected by the global credit crisis in late 2008 and early 2009. We took steps to lessen the effects of the economic downturn, and took the opportunity this presented to permanently improve our business model and position ourselves for the global economic recovery. These included the appointment of Tim Parker, our Chairman and CEO, who led the refocusing of our management strategy on developing the right products to satisfy consumer preferences in each of the regions where we operate, supported by the right sales and distribution strategy and management organization for future growth. We executed this operational reorganization in parallel with our financial restructuring in 2009. These initiatives resulted in a reduced cost base and streamlined management structure, and had a significant positive effect on our business, which experienced double-digit growth in net sales from 2009 to 2010. See “*Financial Information—Significant Factors Affecting Our Results of Operations—Initiatives to Reduce Our Cost Base.*”

Our flexible decentralized management structure now consists of a lean central senior management team and four regional management teams, covering Asia, Europe, North

BUSINESS

America and Latin America. Finance, treasury, legal and other key management functions are managed centrally in the US, while key operational decision-making, including product development and design, sales and marketing strategy, sourcing strategy and distribution channel management, is handled on a regional level with the regional teams regularly sharing best practices in these areas. This combination of a “right-sized” global senior management team, focused on support and coordination rather than top-down decision making, and regional teams with local expertise focused on execution, enables us to implement business strategies that are responsive to different consumer preferences and trends, market dynamics and economic conditions in respective regions. The following charts show the proportion of net sales and Adjusted EBITDA attributable to each of our regions in 2010:



Note:

(1) These charts do not include the proportion of net sales and Adjusted EBITDA attributable to the corporate segment in 2010. The corporate segment accounted for 1.0 percent of our net sales and (6.7) percent of our Adjusted EBITDA.

- Asia.** Our Asian business, which covers the vast majority of Asia, including China and India, the Middle East, and Australia, generated net sales of US\$405.1 million, or 33.3 percent of our total net sales, and gross profit of US\$265 million, in 2010. Our Adjusted EBITDA in Asia was US\$80.1 million in 2010, and our Adjusted EBITDA margin was 19.8 percent. We are the market leader in Asia, as defined by Frost & Sullivan, and had retail sales in Asia more than four times the size of the number two player in Asia. Asia included three of our five largest markets in 2010, namely, China, India and South Korea. We expect that our Asian business will be an increasingly important driver in the growth of our top line sales and profitability as a rapidly expanding middle class spends an increasing amount on travel and travel-related products. Frost & Sullivan expects the Asian travel market (excluding Japan) to grow at an 11.5 percent CAGR from 2010 to 2015 powered by the Chinese and Indian luggage markets which are forecast to grow at CAGRs of 19.2 percent and 15.4 percent, respectively, over the same period. Frost & Sullivan expects the Asian travel market, including Japan, to grow at an 8.0 percent CAGR from 2010 to 2015, reflecting the effect of the large size and relative maturity of the Japanese luggage market.
- Europe.** We are the market leader in Europe, as defined by Frost & Sullivan. Our European business generated net sales of US\$406.7 million, or 33.5 percent of our total net sales, and gross profit of US\$225 million, in 2010. Our Adjusted EBITDA in Europe was US\$72.9 million in 2010, and our Adjusted EBITDA margin

BUSINESS

was 17.9 percent. Europe is the second largest market for luggage globally, and the European luggage market is forecast to grow at a 4.0 percent CAGR between 2010 and 2015. As the European economy continues to recover, we believe we are well-positioned to further increase our market share through sales of business and casual bags, as well as through a continued focus on our popular travel product lines. Our primary markets in this region are Italy, France, Germany, Spain and the Benelux countries.

- *North America.* We are the market leader in North America, as defined by Frost & Sullivan. Our North American business, which covers the United States, our single largest market, and Canada, generated net sales of US\$303.0 million, or 24.9 percent of our total net sales, and gross profit of US\$136 million, in 2010. Our Adjusted EBITDA in North America was US\$39.8 million in 2010, and our Adjusted EBITDA margin was 13.1 percent. The North American luggage market is forecast to grow at a 3.7 percent CAGR between 2010 and 2015. As the North American economy continues to recover, we believe we are well-positioned as a result of our innovative product range and distribution network to increase our market share and to continue to increase net sales and profitability in North America through sales of our core travel product lines, as well as through sales of business and casual bags.
- *Latin America.* Our Latin American business generated net sales of US\$89.0 million, or 7.3 percent of our total net sales, and gross profit of US\$52 million, in 2010. Our Adjusted EBITDA in Latin America was US\$12.1 million in 2010, and our Adjusted EBITDA margin was 13.6 percent. The Latin American luggage market is forecast to grow at a 5.9 percent CAGR between 2010 and 2015. Our primary markets in the region are Chile, Mexico and Argentina, with Brazil as a key market for future potential growth.

OUR COMPETITIVE STRENGTHS

BRAND: We are the world's largest travel luggage company, with a category-defining brand and a 100-year heritage.

Samsonite is a heritage brand that has withstood the test of time through changing economic cycles. It is the leading brand by retail sales value in each of Asia, Europe, North America, and Latin America as defined by Frost & Sullivan. Both our *Samsonite* and the *American Tourister* brands are associated with quality, durability, functionality and innovation. Our *Samsonite* brand is positioned as an affordable premium brand, while *American Tourister* is a more value-conscious brand. *Samsonite* enjoys high brand awareness in all major markets for travel products. An aided consumer brand awareness survey conducted by Frost & Sullivan in February 2011 showed our *Samsonite* brand enjoyed leading brand awareness in travel luggage in four of our largest markets, China, India, the United States and Italy. Our diverse product portfolio appeals to a wide range of consumers and maximizes our brands' exposure and shelf-space across numerous distribution channels and with leading local and global retailers.

BUSINESS

A GLOBAL LEADER WITH GLOBAL SCALE: We enjoy global economies of scale, which enable us to make substantial investments in marketing and innovation, to enjoy efficiencies in sourcing and distribution, and to operate a broad global distribution network.

Globally, we are approximately six times larger than the next largest competitor in the travel and business luggage categories as measured by retail sales value in 2010. Our business is a multi-channel, multi-product business, with an extensive global sales and distribution network. Our products are sold in more than 37,000 points of sale in more than 100 countries. Our brands have an established track record of success in some of the world's fastest growing economies, including China and India with 719 points of sale in China at the end of 2010. We are also the leading luggage company in the more mature European and North American markets. We benefit from significant economies of scale in a number of key areas, including marketing, research and development, distribution and sourcing.

- We benefit from economies of scale in our research and development spending because we are able to make significant investments in consumer market studies, product research, design and engineering and quality testing. This relatively high level of expenditure ensures that we maintain our strong track record of quality and innovation, and enables us to adapt existing products and develop new products in line with changing consumer preferences.
- We reinvest a substantial portion of our profits in marketing and advertising in all of our major markets. This enables us to pursue multi-channel advertising initiatives, which reach consumers through a variety of media formats to boost our brand image and recognition across different consumer segments, as well as employ targeted campaigns to raise the profile of select products among particular consumer groups.
- Our *Samsonite* brand is highly valued and sought after by major retail outlets, which increases our ability to gain placements in important retail locations, including department stores and specialty stores.
- Our size gives us advantages in product sourcing and distribution, which ultimately benefits our customers. We purchase products from our third-party suppliers in significant volumes, which allows us to negotiate with suppliers to increase their capacity, in return for improved trading terms as a result of our increased bargaining power. We are also able to maximize throughput efficiencies in warehousing and transportation.

Our significant global scale positions us to move into higher growth geographies, and adjacent product categories.

SIGNIFICANT EXPOSURE TO HIGH GROWTH GEOGRAPHIES: We are well-positioned to benefit from rapid growth in travel in Asia, our most profitable market, and other high-growth emerging markets.

As the market leader in both of these markets, we are well-positioned for growth in China and India. In 2010, these two markets accounted for 14.0 percent of net sales, and growth from

BUSINESS

these two markets accounted for 28.3 percent of the total increase in net sales from 2009 to 2010. According to Frost & Sullivan, the real GDP of China and India is predicted to grow at a CAGR of 9.5 percent and at a CAGR of 8.2 percent, respectively, over the next five years, fueled by a growing middle class and rising levels of disposable income. Driven in part by this growth in population and increasing levels of disposable income, the per capita expenditure on tourism and travel in Asia is forecast by Frost & Sullivan to grow at a CAGR of 9.0 percent over the next five years. In addition, China is expected to make significant investments in its air, rail and highway transportation infrastructure over the next five years as part of its current five-year plan. Given the strong correlation between the growth of the travel industry and our own sales growth, we are well-positioned to benefit from this development, especially given our existing brand reputation and increasing demand for international brands among Asian consumers. As a growing population of middle class consumers begins to travel more, the size of Asia's luggage market is forecast to grow from US\$9.9 billion in 2010 to US\$13.5 billion by 2015, according to Frost & Sullivan.

We are also well-positioned in South Korea, Indonesia and Malaysia, as well as in other high growth emerging markets outside of Asia, including Russia and Turkey, all potential growth markets for our products.

INNOVATION: We have a strong track record of bringing innovative products to market.

We have been leaders in the global luggage industry for 100 years, establishing key industry trends and adapting to evolving consumer needs. We spent over US\$10 million on market research, product research and development and design in 2010, evidence of our continued commitment to bringing innovations in both design and technologies to the luggage market. Each of our regions has a design team that develops products specifically for that region, and who are in communication with each other on a regular basis, sharing ideas and designs. We commercialized wheeled luggage on a large scale beginning in 1976, and in 2004 we brought to market the popular spinner four-point wheel technology. In 2007, our research and development teams developed the Curv shaping process, used to produce our popular Cosmolite line of hard-side luggage, which represents the lightest and strongest hard-side product Samsonite has ever produced, and which won the prestigious Red Dot Design Award in 2010. We source Curv material on an exclusive basis from its sole producer. In 2010, continuing our commitment to convenience and functionality, we rolled out the B-Lite line of soft-side luggage, one of the lightest soft-side products available in the market. We are also at the forefront of the development of hybrid hard-side/soft-side products, with our advanced hybrid technology being developed in Europe.

GLOBAL/REGIONAL BALANCE: We are able to take advantage of a global platform and expertise while tailoring our products and marketing to the local characteristics of regional and national markets.

Our products are sold in over 100 countries worldwide, with our *Samsonite* and *American Tourister* brands enjoying a leading brand position in each of our regions by retail sales value. While we are able to take advantage of this global presence and our significant economies of scale to expand quickly into new markets, we also maintain a flexible decentralized management structure that enables us to tailor the design of our products to consumers'

BUSINESS

preferences and economic conditions in each of our existing markets. This regional approach to design, production and marketing enables us to compete successfully with the local companies who are our main competitors in many of our markets, as well as the relatively small number of global players. Our global presence provides advantages in relative scale and hedges us against regional events that affect the travel industry, such as the 2003 SARS outbreak. Our decentralized marketing efforts result in tailored messaging that is effective at penetrating disparate markets around the world, while maintaining a consistent global brand image. Specialized distribution models in each of our four regions enable us to serve customers with different characteristics and needs, from preferred dealers, to large department stores, to numerous smaller specialty retailers, as appropriate.

STRONG GROWTH AND CASH GENERATION: We have an attractive business model with strong growth prospects, attractive cash generation potential, and resilient characteristics.

We benefit from a resilient brand that has withstood numerous economic downturns, industry shifts and cyclicity. Emerging from the recent global downturn, our refocused business model has delivered strong top line sales growth, which, coupled with our success in reducing fixed costs, has improved our underlying cash generation. This is evidenced by the significant improvements in our Adjusted EBITDA margin from 5.5 percent in 2009 to 15.8 percent in 2010. Our outsourcing model (over 90 percent of production is currently outsourced) has enabled us to keep fixed costs to a minimum, improving our ability to maintain profitability even when economic conditions result in declines in sales volume. This strength and resilience is complemented by our strong top line growth potential, driven by: (i) structural growth in the emerging Asian markets such as China and India, where the luggage markets are forecast to grow at a CAGR of 19.2 percent and 15.4 percent, respectively, over the next five years, and where growth in the Asian tourism and travel industry in general is forecast to grow at a CAGR of nearly 9.0 percent over the next five years; (ii) growth supported by the general global economic recovery in the large and developed markets of Europe and North America, where we believe our distribution footprint and refocused business model will enable us to capture additional revenue from the recovering luggage market; and (iii) our strategy to increase our share of the fragmented business and casual segments of the luggage market. With a business model that combines strong top line sales growth and an efficient cost base, our business can be highly cash generative, and provides us with the ability to reinvest in additional advertising spend and product innovation, further driving sales growth.

EXPERIENCED MANAGEMENT LEADING A TALENTED AND MOTIVATED WORKFORCE: We have an experienced management team with a proven track record and a high quality, motivated workforce throughout the organization.

Tim Parker, our Chairman and CEO, has extensive experience running branded consumer as well as retail-oriented businesses. Our regional presidents are industry veterans with a deep understanding of the markets they serve, and possess on average 16 years of experience in their regional markets. Our cutting-edge research and development teams include several individuals who are responsible for either designing or popularizing many of the industry's major innovations over the past thirty years, including the upright bag, Spinners, and the shaping process using Curv material.

BUSINESS

As a result of the Samsonite Management Equity Plan, management (including Tim Parker) former directors of the Group and industry advisors to the CVC Funds currently beneficially own approximately 9 percent of the Group. In aggregate, including the shares held by Tim Parker's investment vehicle, Corelli L.P., management (including Tim Parker) former directors of the Group and industry advisors to the CVC Funds beneficially own approximately 10.6 percent of the Group. Following completion of the Global Offering, management, Tim Parker and former directors of the Group and industry advisors to the CVC Funds will continue to hold approximately 6.7 percent of the Shares, encouraging them to enhance the value of the Company and motivating them to strive for the future development and expansion of the Group.

OUR STRATEGY

The key points of our strategy are as follow:

Strengthen the leading position of our heritage brand, *Samsonite*, based on its core values of quality, durability and functionality, through continued investment in innovation and marketing

Samsonite is a heritage brand that has withstood the test of time through changing economic cycles. It is associated with our core values of quality, durability, and functionality. We will continue to strengthen the leading position of our *Samsonite* brand through our dedication to product innovation and a robust level of investment in marketing.

We believe that the strength of the *Samsonite* brand is built on a history of developing and bringing to market innovative products that consumers want. We plan to continue to develop the products that will shape the luggage industry of tomorrow. Our goal is to introduce at least one major innovation per year. Our ability to invest in research and development is unrivalled in the travel luggage industry, and we plan to maintain a high level of investment in developing innovative new products into the future.

To further strengthen the position of *Samsonite*, we plan to maintain a robust level of expenditure on product-focused advertising in order to support the *Samsonite* brand globally and on a regional level. We will continue to use our numerous and diverse advertising campaigns to promote a unified brand image for *Samsonite* across our markets, tying the brand and product together, while also emphasizing the characteristics inherent in the brand and products that appeal to the preferences of consumers in the individual regions.

Further develop *American Tourister* as a brand that reflects its core values of quality and reliability at more accessible price points

American Tourister is a more value-conscious brand that reflects our core values of quality and reliability at more accessible price points. The *American Tourister* brand will enable us to further penetrate emerging markets. We plan to expand our product offering in both China and India through *American Tourister*, to take advantage of the growth of the emerging middle class with its increasing levels of disposable income. We intend to develop *American Tourister* through advertising focused on Asia; increase the numbers of points of sale, particularly in China and India; and design and market products that respond to the customer preferences and price points of our local markets throughout Asia.

BUSINESS

Take advantage of economies of scale in marketing, research and development, distribution and sourcing to improve our competitive position, in particular to devote a continuing high level of resources to advertising campaigns in support of our brands

We are the global leader in the travel luggage market with global scale, which enables us to make substantial investments in marketing and research and development, benefit from efficiencies in sourcing and distribution, and operate a broad global distribution network. We will continue to improve our competitive position by taking advantage of further economies of scale in:

- marketing, by continuing to invest robustly in marketing and advertising in all our major markets. This will enable us to pursue multi-channel advertising initiatives, reaching consumers through a variety of media formats to promote our brand image and recognition across a range of consumer segments, as well as implement targeted campaigns to raise the profile of select products among targeted consumer groups,
- research and development, by developing and bringing to market innovative products that appeal to our local customer preferences,
- distribution, by using our existing sales channels to increase revenues and expand our geographical coverage, particularly in China and India, by increasing our points of sale, and
- sourcing, by continuing to refine our product sourcing strategy of purchasing products from our third-party suppliers in volumes that allow us to commit to substantial manufacturing programs, including negotiating with suppliers to increase their capacity, in return for improved trading terms.

Focus on developing our business in high growth Asian markets, particularly the key markets of China and India, through investment in marketing, further expansion of our distribution network, expanding our geographical coverage, and development of product ranges tailored to local needs

We plan to use our strengths as a global business with strong regional expertise to expand our market share in the two key growth markets of China and India through:

- robust investment in marketing directed at the consumer in each of our major Asian markets across our product categories,
- significantly expanding our existing number of points of sale in Asia,
- expanding our geographical coverage in key growth markets that are currently fragmented and under-penetrated, including China, where we plan to expand beyond our current footprint in tier 1 and tier 2 cities to capitalize on the rapidly growing and increasingly middle class consumer base,
- in both India and China, expanding our offering at value-oriented price points through our increasingly popular *American Tourister* brand to take advantage of the growth of the middle class and its increasing level of disposable income, and
- developing product ranges that are tailored to local customer preferences in each of our regions.

Capitalize on recovery growth in Europe and North America, leading to increased revenue in these more mature markets

The same strengths driving sales growth in high-growth emerging markets will benefit us in more mature markets, such as Europe and the United States, where we plan to use our existing strong brand awareness and extensive distribution network to increase our revenue through attractive product offerings, coordinated marketing initiatives and increased penetration of the business and casual product categories. We believe we are well-positioned to benefit from the general global economic recovery in these more mature markets. From 2009 to 2010, the European luggage market expanded by 3.3 percent (in Euro terms), while our European net sales increased by approximately 6.0 percent during the same period. By outperforming the luggage market as a whole, we are able to capture additional market share, which further enhances our brand presence, reinforces our relationships with key customers and generates cash that can be reinvested in further marketing efforts. As consumer spending on travel and tourism increases (estimated by Frost & Sullivan to increase by 1.9 percent and 4.5 percent in Europe and North America, respectively, over the next five years), we believe this mix of robust investment in marketing, the right products, the right sales and distribution strategy and decentralized regional management of our business will enable us to continue to increase net sales.

Operate our businesses with a high degree of autonomy in the four geographic regions of Asia, Europe, North America and Latin America, while retaining centralized management over brand consistency, sourcing and finance

We will continue to allow our regional businesses to operate with a high degree of autonomy. Our flexible, decentralized management structure consists of a lean central senior management team and four regional management teams, covering Asia, Europe, North America and Latin America. Brand consistency and the coordination of sourcing, finance and other key management functions are managed centrally, while key operational decision-making, including product development and design, sales and marketing strategy and distribution channel management is handled on a regional level. This combination of a “right-sized” global senior management team, focused on support and coordination rather than top-down decision making, and regional teams with local expertise focused on execution, enables us to continue to implement business strategies that are responsive to the different regional consumer preferences and trends, market dynamics and economic conditions.

Increase our penetration of the business bags, casual bags and accessories product categories through sustained investment in product development and marketing

We intend to take advantage of our brands’ strong recognition in the travel category to increase our penetration of the business and casual bags and travel accessories categories. The business and casual bags categories offer strong growth potential for our brands. We are making major investments in marketing, product development and staff resourcing in the business and casual product categories, which we expect will position us well to increase our market share in these categories. We have begun to increase our share in business and casual products, which accounted for approximately 17 percent of our net sales in 2010. We are also developing new casual product lines and marketing campaigns that will further enhance our brand awareness to increase our share of the casual products market. In addition, we have brought back in-house products in both the business and travel accessories

BUSINESS

categories that we had previously licensed out to third parties in certain markets. We plan to increasingly focus resources and management talent on developing these categories by harnessing our brand strength, our size relative to our competitors, our global distribution network and our advertising and product development capabilities.

Continue to increase our Adjusted EBITDA margin through expansion in the higher margin Asian markets by preserving our efficient cost base through managing supplier relationships and by maintaining fixed costs at a reduced level

We are growing fastest in some of our highest margin markets. Our Asian business was our most profitable in 2010, accounting for 41.7 percent of Adjusted EBITDA, with an Adjusted EBITDA margin of 19.8 percent. Samsonite's scale means that we purchase products from our suppliers in much larger volumes than our competitors, and from a much greater number of suppliers. We plan to continue to seek out cost-effective suppliers and achieve the best terms on our product outsourcing from our existing suppliers, as well as manage our fixed cost base through efficiencies resulting from our economies of scale in advertising, marketing, design, distribution and back office costs in order to drive further improvements in our Adjusted EBITDA margin.

BRANDS AND PRODUCTS

Overview

We design, market and sell a wide range of travel, business and casual luggage products and travel accessories under our core brands *Samsonite* and *American Tourister*. Each of the two brands is recognized across all of our markets for a number of defining characteristics. *Samsonite* is generally seen as a premium brand offering, with products that are innovative, classic and stylish. *American Tourister* is recognized as a value-conscious, durable brand. Each brand has its own regional identity as well, complementing the underlying core traits of the brand. Product development and marketing are managed regionally to take advantage of variations in brand perception by region.

In addition, we have developed a number of distinct sub-brands related to our core brands, such as *Samsonite Black Label*[™] (aimed at the luxury segment), *Samsonite Red*[™] (for the younger, fashionable consumer) and *Sammies*[™] (for children). We will continue to use sub-brands when we see an opportunity to move into a new marketing space, or address a previously unmet consumer preference. For example, we recently launched the *AT*[™] sub-brand in India, which is marketed at prices below *American Tourister* to capture additional market share. These brands provide consumers with a wide array of product offerings and capitalize on their connection to our strong existing brands while enabling us to pursue differentiated sales and marketing strategies.

We also selectively license out our *Samsonite* brand name to other companies for use on a variety of products that capitalize on the brand traits of *Samsonite* for quality and durability, and which amounted to US\$11.5 million of licensing revenue in 2010. This licensing business is active in Europe and the United States and in 2010 covered product categories such as business cases and travel accessories (though the licenses for both of these product categories have now been brought back in-house), as well as camera bags and umbrellas. The licensing out of our brands is not currently a strategic focus of the Group, and we expect

BUSINESS

it to continue to represent an immaterial part of our overall business. In the past we have sold products under the *Lacoste*¹ and *Timberland*² brands through licensing agreements. These brands were used to market certain of our casual product lines in particular. Both of these license agreements ended in 2010.

Our Brands

Our two core brands, *Samsonite* and *American Tourister*, including their respective sub-brands, accounted for 75.5 percent and 13.3 percent, respectively, of our net sales globally in 2010. The following table shows our net sales by brand in 2010 and as a percentage of total net sales:

	2010	
	US\$'000	Percentage
Samsonite	917,792	75.5
American Tourister	161,116	13.3
Other ⁽¹⁾	136,399	11.2
Total	1,215,307	100.0

Note:

(1) Other includes *Saxoline* and *Xtrem* as well as *Lacoste* and *Timberland*

Samsonite

Our *Samsonite* brand of luggage has a long pedigree and is regarded as stylish luggage characterized by quality, durability and functionality. The brand is designed to project a serious, confident image while remaining fashionable. It is targeted at business and leisure travelers who are looking for a premium brand with an established reputation for quality. The *Samsonite* brand is positioned in the mid to upper-price points in each of our markets, though product range varies across each region, reflecting the characteristics and preferences of local markets. In Asia, the *Samsonite* brand enjoys a greater premium status than in our other regional markets, and is seen as an aspirational brand.

We have developed a number of *Samsonite* sub-brands to target specific groups of consumers with varying preferences. We developed *Samsonite Black Label* in the mid-2000s as a luxury product offering at higher price points. We primarily sell *Samsonite Black Label* in the Asian markets as well as in Russia, both markets where our *Samsonite* brand is perceived by consumers as closer to the luxury segment of the market. *Samsonite Red* was developed in Asia in response to the increasingly youthful demographics in many Asian countries, and has been designed to augment *Samsonite's* premium status and reputation for durability and functionality with a youthful, casual appeal specifically in the casual bags category. Our *Samsonite Xtrem*TM sub-brand has been rolled out to increase market share in the casual bags category in Latin America, building on the strength of our *Xtrem*TM brand in Chile.

We developed the *Sammies* brand as an offshoot of *Samsonite* for the children's market. *Sammies* products are notable for their playful and inventive designs, incorporating animal features and colorful patterns to make the luggage more appealing to children.

¹ *Lacoste* is a registered trademark of Lacoste Alligator S.A.

² *Timberland* is a registered trademark of The Timberland Company

American Tourister

Founded in 1933 in Providence, Rhode Island, the *American Tourister* brand was acquired by *Samsonite* in 1993. Like *Samsonite*, this brand has traditionally been known for its quality, durability and functionality. With added affordability, it is generally targeted at value-conscious consumers, families and leisure travelers.

In emerging Asian economies such as China's and India's, *American Tourister's* lower price points compared to *Samsonite* enable us to market to a larger share of the young and growing middle class in Asia. In addition, while *American Tourister* enjoys a global image as a value brand for consumers, it is also recognized as more aspirational for the emerging middle class in Asia due to its international cachet. Sales of *American Tourister* in Asia have grown from US\$50 million in 2008 to US\$103.2 million in 2010, a CAGR of 43.7 percent, which we believe was driven by Asia's favorable demographic and economic trends. Our sub-brand *AT* has recently been successfully introduced in India to gain access to the high-volume, low-price value market, occupying price points below those where our which *American Tourister* brand is sold.

American Tourister competes in the mid to low-price points of the market in Europe, where it was first introduced in the mid-1990s. In North America and Latin America, the *American Tourister* brand appeals to much the same demographic as does *Samsonite*, but by occupying lower price points, it is positioned for value-conscious consumers.

Other Brands

In addition to our core brands *Samsonite* and *American Tourister* and their associated sub-brands, we also sell products under the local brands *Saxoline* and *Xtrem* through our majority-owned joint venture in Chile. These brands are very popular in Chile, and *Xtrem* is particularly successful in the casual bags category. We have begun to market products under the sub-brand *Samsonite Xtrem* in other Latin American countries, particularly Mexico, to build on this success.

Our Products

We develop our brands, categories and product lines according to a "Good-Better-Best" strategy, optimizing the number of price points and consumer preference groups that we cover. Through our "Good-Better-Best" product development strategy, we present consumers with product ranges that are designed to deliver greater functionality and style for a higher price, and also allow consumers to stay with the brand as they move into higher income groups. This tiered approach to product lines enables us to strategically distribute our products to appeal to a wide range of consumers. Each brand or product category consists of multiple product lines that are targeted to meet consumer demands across our various sales channels. Each product line is also differentiated by both size and features. We engineer each of our products to deliver a target gross margin for a given price point.

We are continuously developing and releasing new product lines to complement or replace existing product lines. This constant renewal of our product lines ensures that we maintain a fresh product offering that is attractive to changing consumer preferences, driving repeat purchases. Our global scale and our ability to invest in research, development and advertising

BUSINESS

are critical to our ability to continuously introduce new products. Our aim is to balance the versatility we achieve from product differentiation with disciplined management of products that are no longer cost-effective or in demand.

Our Product Categories

We sell products in four principal product categories: travel, business, casual and accessories. The travel category is by far our largest category, and has been the Company's traditional strength. The following table shows our net sales by category in 2010 and as a percentage of net sales:

	2010	
	US\$'000	Percentage
Travel	885,943	72.9
Business	110,321	9.1
Casual	96,997	8.0
Accessories	50,187	4.1
Other ⁽¹⁾	71,859	5.9
Total	1,215,307	100.0

Note:

(1) "Other" consists of licensing income, and *Lacoste* and *Timberland* product sales (both no longer active as of December 2010), which accounted for US\$53.9 million of net sales in 2010.

Travel

Our travel products form the core of our business. Travel products, such as suitcases and carry-ons, are further categorized by the material from which they are constructed, with the three principal categories being hard-side, soft-side and hybrid luggage. The popularity of hard-side and soft-side luggage varies significantly across the various markets in which we operate, while hybrid luggage, as a recent development, is only a very small component of the luggage market.

Hard-side products can be made from a number of different materials. The least expensive and most common material used is polypropylene. A lighter and more expensive material that is often used is polycarbonate. The most innovative material used by Samsonite is Curv, which is a self-reinforced composite sheet, combining high strength with lightness. Our research and design team developed a unique shell-forming process using the Curv material, which forms the basis of our very successful Cosmolite collection and our new Cubelite collection. We have exclusive use of the Curv material in our industry.

Soft-side products make up the majority of the luggage market globally. On average, soft-side products tend to be lighter than hard-side, offer more functionality with external pockets, expandability and can be manufactured from a variety of different materials. Our research and design teams have succeeded in developing increasingly lightweight soft-side luggage products, with our most recent soft-side innovation, B-Lite™, the lightest soft-side we have yet produced.

Hybrid products form a smaller part of the travel market. We have developed Advanced Hybrid Technology, which is constructed from a hard-side case with a soft-side exterior attached to it, giving the product the rigidity of a hard-side in combination with the external

BUSINESS

pockets of a soft-side. This also results in increased lightness and strength as well as flexibility.

Business

Our business product range consists of briefcases, computer bags, laptop sleeves and rolling totes for the business traveler. Our business category design teams are developing a number of new product lines to take advantage of growth opportunities within the business category, in combination with new advertising campaigns to raise consumer awareness of our business product lines and capitalizing on our brand, distribution network and sourcing expertise. The Company is already well-established in the business category in Asia, where it accounted for approximately 12 percent of our Asia net sales in 2010.

Casual

Casual products include backpacks, duffle bags and messenger bags as well as smaller handbags and satchels. We have drawn on the strength of our brands, our experience in designing travel luggage products, and have hired new designers focused on fashionable casual products (exemplified by *Samsonite Red* product lines), to expand our casual offerings, introducing the wheeled-duffle bag and very lightweight casual products. We view the large market for casual products as one of our key growth opportunities.

Accessories

Accessories include a large number of travel accessories, including locks, straps, pillows, plug adaptors, umbrellas and small leather goods such as wallets and card holders.

Our Principal Product Lines

We are continuously bringing new products to market and restyling existing products in response to changing consumer preferences, new innovations and market opportunities. We benefit from a broad range of strong, stable collections. The product lines below represent some of our most popular and innovative collections, as well as a cross-section of our brands and product categories.

Travel Products

Hard-side Luggage



Cosmolite is the leading hard-side luggage product that we sell. It was developed using the exclusive Curv material, a new concept in thermoplastics that is exceptionally lightweight and impact-resistant. The product design incorporates specially-moulded shell-like ridges, resulting in an incredibly sturdy product that is also one of the lightest travel luggage products on the market. *Cosmolite* was awarded the Red Dot Design Award by Red Dot in 2010 for best product design. *Cosmolite* was first launched in 2008, and accounted for 0.9 percent, 8.3 percent and 16.4 percent of our net sales in Europe in 2008, 2009 and 2010, respectively (approximately 0.4 percent, 3.4 percent and 7.5 percent of total net sales in 2008, 2009 and 2010, respectively). *Cosmolite* generally occupies some of the highest price points of any of the products we sell, with customers willing to pay a premium price for a product that is highly innovative, has a unique design and is extremely lightweight. It is sold across all four of our regions.



Cubelite is the next generation of hard-side products produced with Curv material, incorporating all of the features that made *Cosmolite* successful, but with a new hard-side shell design that balances the strength of the *Cosmolite* shell design with a more classic appearance. Introduced in 2010, we believe that the new *Cubelite* product will appeal to consumers in all our major regions and will help drive growth alongside the highly successful *Cosmolite* range. Sales of *Cubelite* accounted for less than one percent of our net sales in 2010.



American Tourister Cube Alfa™ is one of our popular *American Tourister* branded hard-side product offerings in the Asian market. It benefits from a lightweight design with the strength of a hard-side shell, constructed out of 100 percent polycarbonate. It offers a large capacity together with a chic design.

Soft-side and Hybrid Luggage

B-Lite is our flagship soft-side offering in Europe and is also very popular in Asia. It is one of our most popular products, and our lightest soft-side ever, combining a frameless design with lightweight material. A version of this product line called *LIFT, Lightweight Innovations For Travel™*, is being developed for the North American market for release in the second half of 2011.



Silhouette® was first released in 1958 as an innovative collection designed for an age of increasing air travel. This line has been developed and modernized over the years and has remained one of our most important product lines in North America. The latest version of our Silhouette product line, *Silhouette 12™*, was introduced in January 2011, and is our flagship soft-side product line in North America.



Cordoba Duo™ is based on innovative hybrid technology, a combination of hard and soft cases. Samsonite developed the Advanced Hybrid Technology incorporated in this line to combine the advantages of soft-side luggage (extreme lightness, external pockets, expandability, flexibility) with those of hard-side luggage (strong and long-lasting shells).



SBL Newton™ is a classic high-end product line under the *Samsonite Black Label* brand. Featuring an elegant design, constructed with leather detailing and high-quality features, this product line is specially designed for frequent travelers, and is characterized by smart organization and practicality.



American Tourister Smart™ is an extremely lightweight soft-side product line developed and sold in our Asian region, incorporating a young, fashionable design under the *American Tourister* brand. We have developed both soft-side luggage and soft casual bags under this line, targeting young, leisure and family travelers.

BUSINESS



AT iLite DLX™ is a popular *American Tourister* branded soft-side offering in our US market, sold in department and specialty stores throughout the United States. This product line features a number of products covering a range of customer needs, from a smaller boarding bag, to a wheeled duffel, as well as uprights (pictured) and spinners.

Business Products



Pro DLX™ is a soft-side product line marketed in both the travel and business product categories. This product line is sold in each of our regions. We are investing in significant marketing activities in connection with the release of the *Pro DLX* product line, which we believe will help us expand our share of the important business luggage market.



Confedo™, one of our newest business product lines in Asia, is marketed under the *Samsonite Black Label* sub-brand. This product line is designed to suit the travel demands of business executives, blending high-tech fabrics and premium leather with a number of useful features such as a rolling tote bag with a detachable business case.



Xenon™ is a laptop backpack designed for the North American market. It incorporates a high-tech suspension system to cushion the laptop and lightweight materials to increase its utility and the consumer's mobility.

Casual Products



Samsonite Wheeled Duffel is one of our casual products marketed in the United States. This casual bag is designed to be both easy to roll and comfortably carried by hand. It features a retractable, zip-away handle and in-line skate wheels, is made of a durable 600D polyester material and is marketed in a variety of sizes and colors.



Galaxy™ is one of our casual offerings in Asia under the *Samsonite Red* brand. With a glossy polyurethane coated nylon, the *Galaxy* product line is an elegant and versatile range of bags that is suitable for both casual and business use, including a shopping bag and a shoulder bag. This product is available in both black and grey.

SALES AND MARKETING

Our sales and marketing activities are carried out primarily on a regional level. In Asia, Europe and Latin America, sales activities are coordinated and supported by regional management, while the individual countries are managed by country general managers, overseeing teams of sales representatives. This structure provides the benefits of central coordination on a regional level while fostering local entrepreneurial initiative. In North America, due to the relative consolidation of the customer base, we manage sales and marketing more centrally, with one team responsible for wholesale accounts, and another team responsible for our own retail locations.

Wholesale Channels

On a global level, our business is primarily a wholesale business, with approximately 98 percent of our more than 37,000 points of sale consisting of wholesale accounts representing 80 percent of our global net sales in 2010. The makeup of our wholesale customers varies across each of our four regions, though they broadly fall into the following principal categories: major department stores including shop-in-shop arrangements, specialty luggage stores, mass merchants and discounters (also known as hypermarkets in Europe and Asia), and to a lesser degree, internet retailers and other smaller channels. In addition, we use third-party distributors in a number of jurisdictions. These distributors sell within defined geographic areas and/or channels, and generally enjoy exclusive rights to sell our products within their jurisdiction and/or channels. Third-party distributors must satisfy minimum product purchase commitments and, in some cases, agree not to sell competitive products.

With the exception of shop-in-shop arrangements in department stores, primarily in Asia, we do not employ any retail sales personnel in these wholesale channels, though we do provide promotional support in the form of joint advertising, point of sale materials, catalogues, seasonal discounts and promotions. We arrange for delivery of our products to our customers in all of these channels, with the freight cost included in the wholesale price of our products. Revenues from product sales at our wholesale points of sale are recognized when evidence of a sales arrangement at a fixed and determinable price exists (usually in the form of a sales order), collectability is reasonably assured, and title to the products transfers to the wholesale customer. In the case of shop-in-shop arrangements, we recognize revenues upon sale to the end consumer. In general, payment terms and methods of payment are the same across each of our wholesale channels, typically varying from 30 to 90 days depending on the customer, with primary means of settlement either by electronic transfer or electronic draft. In 2010, our five largest wholesale customers together accounted for approximately 10 percent of our net sales.

Department Stores/Shop-in-Shop Arrangements

Department stores are retail locations that offer a wide range of consumer products, including luggage, and typically carry strong global and national brands, including some of our competitors. In many cases, particularly in Asia and to a lesser extent in Europe, department stores will dedicate a particular area of the sales floor to one brand, in a “shop-in-shop” arrangement. Staffing differs by department store. In locations where we operate shop-in-shops, we will typically have our own sales staff, while locations without such arrangements are staffed by sales people on the department store’s payroll.

See “—Asian Business—Distribution Channels” for a description of the shop-in-shop arrangements.

Specialty Luggage Stores

Specialty luggage stores are traditionally stand-alone limited merchandise stores primarily selling luggage and travel-related products. These stores are operated by third parties, and we do not have any of our own sales staff in these locations. These stores do not exclusively sell our products.

Mass Merchants/Hypermarkets and Discounters

Mass merchants, also known as hypermarkets in Europe and Asia, are large-scale retailers that offer a wide range of product categories, including electronics, clothing, footwear, accessories, groceries, outdoor products and home-related products. Mass merchants typically focus on the value segment of the market, competing through low pricing. They typically offer limited national brands. Discounters are off-priced retailers that sell a range of merchandise similar to mass merchants. Discounters typically sell both new and obsolete merchandise offered by manufacturers, and compete by offering national brands at lower prices. Mass merchants and discounters do not exclusively sell our products.

Internet Retailers and Other Small Channels

Internet retailers are third-party customers who sell a variety of products over the internet. In addition, we make sales through a number of smaller wholesale channels including television home shopping, ICT stores and childrens’ stores.

Retail Channels

As of December 31, 2010, we have 734 retail stores, either Company-owned or operated by preferred dealers, with 474 stores in Asia. Preferred dealers are Samsonite-branded retail stores that are owned and operated by third parties. We generally market one brand or sub-brand in any given retail location. In North America and Europe our retail stores carry *Samsonite*-branded products, as do our retail stores in Latin America, with the exception of Chile, where they carry our local *Saxoline* and *Xtrem* brands. In Asia, we have *Samsonite Black Label* and *American Tourister* retail stores as well. In addition, we are beginning to develop dual-brand retail locations in Asia, featuring both *Samsonite* and *American Tourister* products. Revenues from sales at our retail points of sale, other than our preferred dealers, are recognized at the point of sale to the end consumer. We recognize revenues in the case

BUSINESS

of preferred dealers upon sale of our products to the preferred dealer. Our retail networks in North America and Europe consist primarily of factory outlet stores, along with a few high street locations. We have recently developed new designs and layouts for our retail stores, and are refurbishing key store locations in Europe and North America. In addition, we continue to look for new opportunities for targeted retail expansion across each of our regions where the right opportunities exist.

We do business with a number of preferred dealers, primarily located in India. These preferred dealers are *Samsonite*-branded retail stores that are owned and operated by third parties, who agree to exclusively sell *Samsonite* and *American Tourister* products. Our agreements with our preferred dealers require them to maintain minimum levels of inventory on hand, and to maintain a standard store presentation in keeping with our corporate look and feel. These preferred dealers are responsible for all operating costs, including store rents, though we provide our preferred dealers with sales and marketing support. We consider retail locations operated by our preferred dealers to be retail points of sale because, like our own retail stores, they are primarily *Samsonite*-branded stores that exclusively sell our products. In addition, we manage our relationships with these preferred dealers in much the same way as we manage our own retail locations.

Points of Sale

The following table shows the approximate breakdown of our wholesale and retail points of sale across the four regions as at December 31, 2010:

	As at December 31, 2010				
	Europe	Asia	North America	Latin America	Total
Wholesale					
Department Stores/Shop-in-shop	697	669 ⁽¹⁾	4,510	680	6,556
Specialty Stores/Travel Stores	6,387	2,931	5,454	1,488	16,260
Mass Merchants/Discounters	15	1,165	11,098	1,290	13,568
Retail					
Own Stores	58	150	89	71	368
Preferred Dealers	27	324	0	15	366
Total POS	7,184	5,239	21,151	3,544	37,118

Note:

(1) Primarily consists of Company-operated shop-in-shop points of sale. See “—*The Asian Business—Distribution Channels*”.

Each point of sale category is generally aimed at a specific group of end-consumers. Consumers in high-end department stores are generally seeking different product features and brand traits than consumers in hypermarkets. Similarly, consumers in a Japanese department store are drawn to different products than consumers in a department store in the United States. We use this diversity to our advantage by differentiating the products we market to each of our wholesale customers by brand, product line and price point. This enables us to provide our wholesale customers with products that we know are tailored to consumers needs.

The same holds true for our own retail locations. The products that we feature in our various owned stores depend largely on the demographic of consumers that frequent that point of sale. For example, in Asia, we have some *Samsonite Black Label* branded retail stores, which

BUSINESS

carry a higher-end product line and are designed to attract a more affluent consumer clientele. Our retail points of sale (2 percent of points of sale in 2010) contribute a disproportionate amount to our net sales (19 percent in 2010) for a number of reasons, including the following: these retail locations sell our products exclusively; they generally have higher sales volumes; and our products sold at these retail points of sale are sold at retail price points, resulting in higher net sales.

Our primary corporate website, www.samsonite.com, functions mainly as a direct-to-consumer sales portal, with links to individual country websites. In 2010, we redesigned and moved our United States e-commerce site, shop.samsonite.com, onto the Amazon webstore platform, who handle on-line ordering and shipping. This gives us a *Samsonite* branded store identity within www.amazon.com, extending our reach to Amazon's customers while retaining retail margins. In Europe, we recently moved our e-commerce business to E-Shopinvest, which handles online product ordering and shipping. In addition, we have a small e-commerce business in South Korea. Our corporate website is hosted internally and our country web portals are hosted on third party sites. Online sales accounted for approximately 0.3 percent, 0.6 percent and 1.0 percent of our net sales in 2008, 2009 and 2010, respectively.

BUSINESS

THE ASIAN BUSINESS

Overview

Before 1997, our presence in Asia consisted of a series of small distributors and a significant licensee in Japan. We developed our Asian business through a series of majority-owned joint ventures, a number of which were subsequently converted into wholly-owned subsidiaries. In particular, we operate in China and Hong Kong, Japan and South Korea through wholly-owned subsidiaries, while India and the Middle East are majority-owned 60/40 joint ventures. We operate in a number of the smaller Asian markets through third-party distributors. We currently manage our Asian business through three clusters of countries (China and Hong Kong, Philippines and Taiwan; India and the Middle East; Southeast Asia) and three independent countries (Japan, South Korea and Australia). Our regional headquarters are located in Hong Kong. The following table shows our net sales by regional market in 2010, and as a percentage of net sales:

Sales by Market ⁽¹⁾	2010	
	US\$ millions	Percentage
China	91.8	22.7
India	77.9	19.2
South Korea	62.5	15.4
Hong Kong ⁽²⁾	42.5	10.5
Southeast Asia	40.5	10.0
Japan	36.5	9.0
Australia	24.9	6.1
Middle East	16.2	4.0
Taiwan	10.0	2.5
Philippines	2.3	0.6
Total	405.1	100.0

Notes:

(1) The geographical location of our sales reflects the country from which our products were sold and does not necessarily indicate the country in which our end-consumers are actually located.

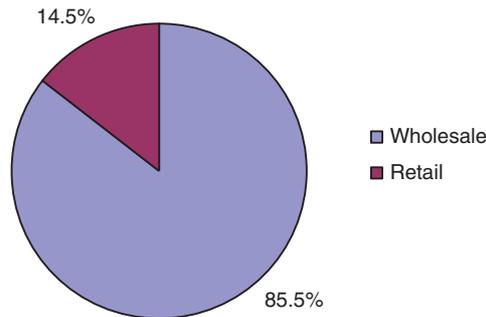
(2) Includes Macau.

Distribution Channels

The Asian market varies considerably, characterized both by large high-growth markets like China, India and Indonesia and sizeable, more mature markets such as Japan, South Korea and Australia. In each of these countries, we have a large number of points of sale, including specialty retail stores, shop-in-shop concessions in larger malls or department stores as well as a high number of preferred dealers (particularly in India).

BUSINESS

Our Asian business is primarily wholesale, as shown in the following chart, showing sales by channel for 2010:

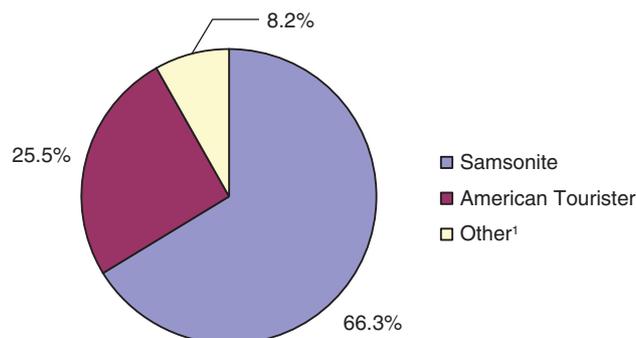


Our distribution network in Asia varies by country. China is characterized by a higher number of large wholesale customers, whereas India is characterized by a very large number of specialty luggage stores and preferred dealers. Our wholesale distribution network in Asia has a high number of shop-in-shops, which are concessions staffed by Samsonite sales people located within department stores. In the wholesale sector (i.e. in large North American and European department stores), inventory is considered to be sold when it is delivered to the wholesale customer, in the shop-in-shop model we retain ownership of the inventory until sale to the end-consumer. The shop-in-shop model results in margins that are closer to retail margins than our traditional wholesale margins, and enables us to market directly to the end-consumer. While our shop-in-shop arrangements share a number of characteristics with our retail sales channels, we consider them as wholesale points of sale because our shop-in-shop activity is organized and monitored through our wholesale department store operations. Shop-in-shops are tracked within SAP and our other underlying ERP systems as wholesale points of sale on a consistent basis globally as well as in our financial reporting.

Our distribution strategy in Asia is to ensure that we have a strong retail presence in each of our markets, through a combination of our own stores and stores operated by preferred dealers. We also focus on the large format stores, especially in China, where the vast majority of our points of sale consist of department stores or hypermarkets, including shop-in-shop. We are also currently expanding our distribution network in Japan, with a strategy of increasing points of sale for our products in department stores.

Brands

The following chart shows the percentage of net sales attributable to each brand in Asia in 2010:



Note:

(1) Other primarily consists of *Timberland* and *Lacoste* licensed business (no longer active as of December 2010)

BUSINESS

Samsonite has traditionally been our most popular brand in Asia. Sales of *American Tourister* have grown significantly over the past three years, from 17.7 percent of net sales in 2008 to 25.5 percent of net sales in 2010. The *American Tourister* brand benefits from the rapidly expanding middle class in Asia.

Major Markets

China and Hong Kong

China, our largest market in Asia, is characterized both by a growing middle class with increasing disposable income, and a preference for premium or aspirational products. Brand is very important to Chinese consumers. These characteristics make the Chinese market an attractive one for our products. We sell *Samsonite*-branded products primarily through department stores and specialty stores and our *American Tourister*-branded products primarily through department stores and hypermarkets. We also market *Samsonite Black Label* through our own retail stores. *Samsonite Black Label* forms an especially important part of our marketing strategy in Asia, particularly in China and Hong Kong, with the aspirational character of our brands in Asia making the luxury status of *Samsonite Black Label* more appealing. We are also expanding our offering of business and casual products in China, particularly leather goods, and are looking to expand the points of sale that offer our *American Tourister* branded products and casual products. We believe this expansion will be aided by the predicted 17.3 percent increase in per capita expenditure on tourism and travel by Chinese consumers over the next five years, according to Frost & Sullivan. We plan to expand beyond our current footprint in tier 1 and tier 2 cities, driven in part by the development of modern retail channels and China's improving transportation infrastructure.

India

India is a rapidly growing market, with a growing middle class and a notably youthful population, making the mid to lower-price points in the Indian luggage market increasingly important. These price points are predominately served by our *American Tourister* brand, net sales of which have grown at a CAGR of 33.5 percent in the past three years, from US\$24.3 million in 2008 to US\$43.3 million in 2010. In addition, recognizing the large volume of sales in the Indian luggage market occurring at price points below the entry price point for *American Tourister*, we introduced *AT*-branded products at these lower price points to take advantage of India's rapidly urbanizing population. Initial sales of *AT*-branded products have been very positive, and we are planning on the potential expansion of this brand in other Asian countries in the future. Sales of *Samsonite* products are very successful as well, with the brand viewed as a premium, aspirational brand, much as it is in China. Our points of sale in India are characterized by a high number of preferred dealers and specialty stores. Our Indian preferred dealers sell *Samsonite* and *American Tourister* exclusively.

South Korea

Samsonite and *American Tourister* have a very strong presence in South Korea with a combined market share of approximately 22.5 percent in 2010. Building on this strong brand presence, we are expanding our marketing of business bags, backpacks and camera bags under the *Samsonite* brand, as well as increasing our marketing of casual products under the *Samsonite Red* brand, targeting younger professionals. We have developed a number of new

BUSINESS

advertising campaigns to broaden awareness of our new product lines and drive sales growth.

Japan

Japan is a mature market for luggage, and is a significant growth opportunity for us. Our level of brand recognition in Japan coupled with the strong Japanese preference for hard-side products leads us to believe that Samsonite can achieve significant growth in this market. In addition, we have a dedicated team of Japanese designers and we are currently developing a new business line of “*Made in Japan*” premium leather goods that are made in Japan. Prior to 2005, our products were sold in Japan through a licensee.

Other Emerging Asian Markets

The Asian region includes a number of large, emerging markets other than China and India. Indonesia is a relatively undeveloped market, characterized by few international brands and a high degree of fragmentation among the existing luggage companies in the market. We have begun to expand our market share in Indonesia, and see it as one of our largest potential growth markets. In addition, we see growth potential in markets such as Malaysia. With our internationally recognized brands and ability to meet consumer preferences we believe we are well-positioned to take advantage of the opportunities in these markets.

BUSINESS

THE EUROPEAN BUSINESS

Overview

The European business is organized into 15 subsidiaries and 3 majority-owned joint ventures. Our European headquarters are located in Oudenaarde, Belgium, along with the European Distribution Center and the Oudenaarde manufacturing plant. There are only limited differences among our European markets in terms of consumer preferences and price points. The majority of our European sales (89 percent) came from our subsidiaries in Southern, Western and Central Europe. Our majority-owned joint ventures (in Russia, Turkey and South Africa) accounted for nine percent of European sales in 2010. The following table shows our net sales by major country (or business unit) in 2010, and as a percentage of European net sales:

	2010	
	US\$ millions	Percentage
<u>Sales by Market⁽¹⁾</u>		
Italy	69.2	17.0
Belgium ⁽²⁾	51.0	12.5
France	48.2	11.9
Germany	46.7	11.5
Spain	40.9	10.1
United Kingdom	26.2	6.4
Switzerland	17.0	4.2
Russia	21.7	5.3
Holland	19.6	4.8
Turkey	10.3	2.5
Austria	8.5	2.1
Other	47.4	11.7
Total	406.7	100.0

Notes:

- (1) The geographical location of our sales reflects the country from which our products were sold and does not necessarily indicate the country in which our end-consumers are actually located.
- (2) Net sales in Belgium consisted of US\$17.3 million of in-country sales, and US\$33.7 million of direct shipments to distributors, customers and agents in other countries.

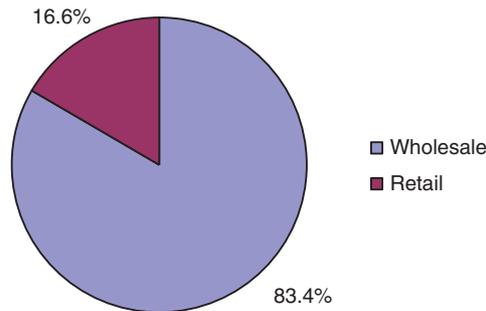
There is a high degree of fragmentation in the European market in terms of distribution and customers. In 2010, our top ten customers in Europe represented 19.2 percent of our net sales in Europe, and our top 50 customers represented 36.8 percent of our net sales in Europe. Two of our top ten customers in 2010 were Goldkrone and Assima, both German-based buying consortiums representing hundreds of smaller specialty stores.

Distribution Channels

We distribute our products through four principal sales channels: traditional stores (including specialty leather goods stores), department stores, hypermarkets and our own retail stores. Products are also sold through a collection of other smaller channels, including online sales. We market our products at varying price points to appeal to consumers through a range of sales channels.

BUSINESS

Europe is primarily a wholesale business, as shown in the following chart, showing sales by channel for 2010:



Wholesale

Specialty stores make up the great majority of our points of sale in Europe and come in a variety of forms. These stores are usually family-owned, ranging between one and ten stores, and are generally strong within a particular country. The most important of the specialty stores are traditional leather goods retailers. Goldkrone and Assima, which rank amongst our largest customers in Europe, are buying groups that represent 434 and 97 individual members, respectively. We believe that our efficient distribution network in Europe, centralized in Belgium with an average delivery time of approximately 3 days to 19 countries in the region, is very helpful to the smaller specialty luggage stores who lack significant warehousing and therefore rely on “just in time” delivery. Given the importance of these smaller stores in Europe, our distribution network provides us with a significant advantage in the market.

Department stores accounted for approximately 16 percent of our European net sales in 2010. Five department store chains are included in our top ten customers in 2010: Kaufhof and Karstadt, two of the largest department store chains in Germany; El Corte Inglés, the largest retail group in Spain; Manor in Switzerland; and John Lewis in the United Kingdom. We benefit from our scale and brand recognition in our dealings with these department stores.

Retail

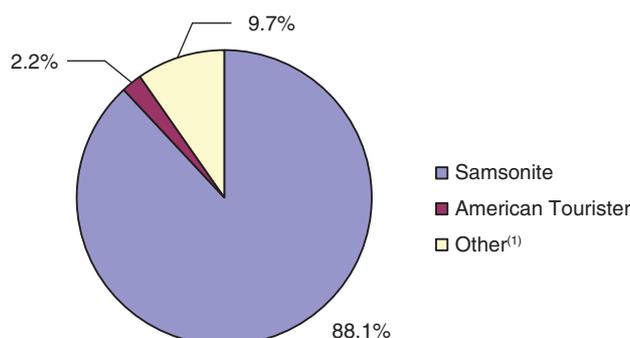
Our retail network in Europe consists of 31 factory outlet stores and 27 classic stores. Our factory outlet stores are located in upscale factory outlet centers around Europe. As part of our reorganization in 2009, we closed 31 retail stores in Europe, and refocused resources on our most profitable locations.

Brands

Samsonite is our principal brand in Europe, accounting for 88.1 percent of net sales in 2010. During the past two years, we have focused our marketing priority in Europe on the *Samsonite* brand, and, as a result, sales of *American Tourister* declined over this period. We are currently re-positioning the *American Tourister* brand, traditionally strongest in Italy and Spain, for growth in the European market, with a new range of products, dealer catalogs and promotional materials. In particular, we are targeting growth in the German travel and Italian casual and business segments. We expect this growth opportunity to be driven by high demand for less expensive soft-side products, as well as our superior distribution network in Europe. We also use the brand *Samsonite Black Label* for some of our high-end product lines.

BUSINESS

The following chart shows the percentage of our net sales in Europe attributed to each brand for 2010:



Note:

(1) Other primarily consists of *Timberland* and *Lacoste* licensed business (no longer active from December 2010)

THE NORTH AMERICAN BUSINESS

Overview

Both our *Samsonite* and *American Tourister* brands were founded in the United States, where we have traditionally enjoyed strong market share and brand awareness. The following table shows our net sales by country for North America in 2010, and as a percentage of net sales:

	2010	
	<i>US\$ millions</i>	<i>Percentage</i>
United States	281.9	93.0
Canada	21.1	7.0
Total	303.0	100.0

The United States is a highly consolidated retail market, with the top ten U.S. wholesale accounts collectively accounting for 62.6 percent of our North American wholesale net sales in 2010. Our strongest penetration in North America is in the travel category, where we held 29 percent of the approximately US\$1.9 billion North American travel category in 2010. Our share of the business and casual bags categories was two percent and one percent, respectively, in 2010. We consider our low level of penetration in these categories, which have a combined retail sales value of US\$5,243 million in 2010 according to Frost & Sullivan, to be an important growth opportunity for which we are marketing new lines of business and casual products. See “—Our Strategy—Increase our penetration of the business bags, casual bags and accessories product categories through sustained investment in product development and marketing.”

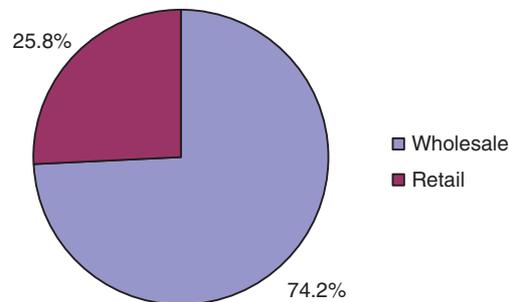
The lower end of the North American market consists mainly of private label products sold by mass merchants such as Wal-Mart and K-Mart, while the upper end of the market is covered by the luxury brands. Our products are strongly positioned in the middle and premium price range, with *Samsonite* commuter carry-on products selling for prices above US\$100 up to US\$550 and *American Tourister* commuter carry-on products selling at prices above US\$40 and below US\$140. These middle price points represent approximately 55 percent of the luggage market in North America, with the lowest price points accounting for a further 36 percent and the highest price points 10 percent. Given the consolidated nature of the market, covering these price points effectively is particularly important. Our brand positioning, with

BUSINESS

American Tourister marketed to more value-conscious customers and *Samsonite* marketed towards the mid to premium end of the spectrum, enables us to maximize our share of the luggage market. We position our products so that they do not compete with lower quality private label products at the lowest price points, or with the luxury luggage companies at higher price points.

Distribution Channels

North America is primarily a wholesale business, as shown in the following chart, showing the percentage of sales by channel for 2010:



Wholesale

Our sales in North America come from a variety of channels, though, unlike the other regions, the market is concentrated in the hands of relatively few players. Our top ten wholesale customers include major department stores like Macy's and Kohl's, warehouse clubs like Costco and Sam's Club, and mass merchants like Wal-Mart. Given the strength of the *Samsonite* and *American Tourister* brands in North America, these large department stores are eager to stock our well-known brands in response to consumer demand for our products. We have lower margins in our North American business compared to our other regions as a result of the high degree of concentration amongst customers, which tends to result in somewhat lower prices for consumers.

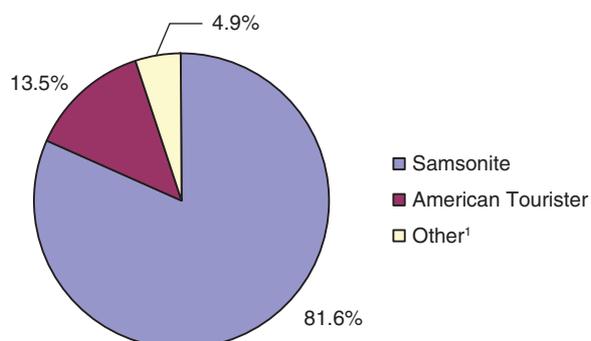
Retail

Our retail business is driven by our 89 factory outlet stores. We reduced the number of retail stores in North America from 193 to 89 over the course of 2009 and 2010 as part of the 2009 Reorganization, retaining only the highest performing locations. This has resulted in increased profitability for our North American operations in 2010. We recently developed a new store prototype design to act as a showcase for our new business and casual product lines. These new store layouts are being rolled out in selected high-performing retail locations.

BUSINESS

Brands

The following chart shows the percentage of our net sales attributable to each of our brands in North America for 2010:



Note:

(1) Other includes primarily *Lacoste* and *Timberland* which ended in December 2010, as well as several smaller licensed-out arrangements

Samsonite-branded products are distributed through a number of retailers, including Macy's, Kohl's, Neiman Marcus, JCPenney, Sears and BonTon, as well as through warehouse clubs such as Costco. *Samsonite* products are not distributed through mass merchants. *American Tourister* is distributed through many of the same stores as *Samsonite*, but is also sold in high volume mass merchants including Wal-Mart and K-mart. *American Tourister* is a flexible brand, and is one of the few brands that offers product lines targeted at department stores, as well as product lines targeted at mass merchants. Both *Samsonite* and *American Tourister* products are also distributed through luggage specialty stores. Our network of factory outlet stores in North America primarily sells *Samsonite* products.

THE LATIN AMERICAN BUSINESS

Overview

Our Latin American business consists of a number of markets in which we are very strong, as well as the very large emerging market of Brazil, where we believe we are well-positioned to significantly increase our market share. Our business is particularly strong in Chile, where we sell the very popular *Saxoline* and *Xtrem* local brands through our majority-owned joint venture, as well as in Mexico.

The following table shows our net sales by country for Latin America in 2010, and as a percentage of net sales:

	2010	
	US\$ millions	Percentage
<u>Sales by Market⁽¹⁾</u>		
Chile	40.1	45.1
Mexico ⁽²⁾	27.5	30.9
Argentina	14.2	15.9
Brazil ⁽³⁾	5.1	5.7
Other	2.1	2.4
Total	89.0	100.0

BUSINESS

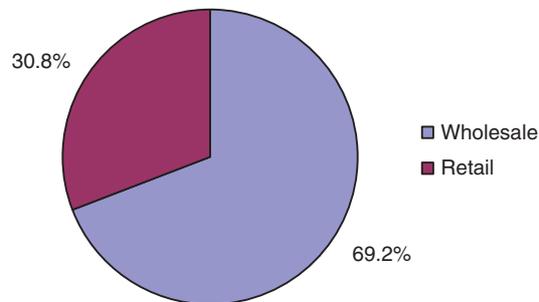
Notes:

- (1) The geographical location of our sales reflects the country from which our products were sold and does not necessarily indicate the country in which our end-consumers are actually located.
- (2) Primarily Mexico, and includes Central America, the Caribbean and Andean countries.
- (3) Starting in 2010, products sold in Brazil were distributed through the Uruguay distribution center.

Products for the Latin American market are drawn from our other three regions, with some adjustments made by our design team in Mexico when necessary. In general, northern Latin America is drawn to the North American product designs, while southern Latin America is more attracted to the European product designs. We also benefit greatly from the experience and market presence of our *Saxoline* and *Xtrem* branded products which are developed in Chile and which have been successful in that market for many years.

Distribution Channels

Latin America is primarily a wholesale business, as shown in the following chart, showing the percentage of sales by channel for 2010:



Wholesale

Wholesale customers account for the majority of our sales in Latin America, and the extent of this varies in each of our major markets. Brazil is entirely a wholesale business, and Mexico is approximately 90 percent wholesale. This contrasts with Chile and Argentina, where our distribution is more evenly split between wholesale and retail. Given the distinct characteristics of the various markets in the region, we focus on capturing market share in part through key local wholesale customers within each country. In Mexico, our key wholesale customers include the department stores Liverpool and Sears, as well as the mass merchant chain Wal-Mart, while in Chile we have three major department store customers, Paris, Ripley and Falabella.

Our business in Brazil is a mix of direct shipments to customers coordinated through our Uruguayan subsidiary and local distributors. Retail companies like Le Postiche and Baggagio can place orders directly with our Uruguayan subsidiary, who will then arrange for our products to be shipped directly to the retailers. We also engage a number of third-party distributors, agreeing a scope of distribution within Brazil with each distributor, either a particular geographic footprint, such as second tier cities, or a particular sales channel, such as computer stores. This helps to ensure that each distributor has a strong commitment and focus on its particular territory or channel. We believe that this combination of direct sales to certain well-placed retailers and agreements with strategically positioned distributors, coupled with our strong brands and Brazil's attractive underlying economic growth, will enable us to grow sales and capture additional market share in Brazil.

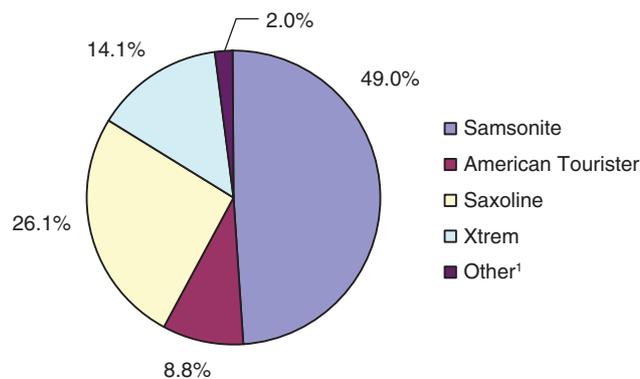
BUSINESS

Retail

Latin America has the largest retail network as a percentage of net sales of our four regions. In 2009, we made the decision to focus our retail resources on those countries where the network was performing well and to convert Brazil, Colombia and Peru from subsidiaries with retail locations to distributor models. Chile and Argentina have more extensive retail networks than the other Latin American countries. Chile, in particular, benefitted from the existing network of retail stores originally established by our joint venture partner.

Brands

The following chart shows the percentage of our net sales attributable to each of our brands in Latin America for 2010:



Note:

(1) Other includes primarily *Timberland* and *Lacoste* licensed business (no longer active as of December 2010)

Samsonite is our most important brand in Latin America, accounting for 49.0 percent of net sales in 2010. *Samsonite* products have traditionally been very popular with seasoned travelers and have a strong share of the travel luggage market. The Latin American market has a large, young population and an expanding middle class, and given this increasingly youthful demographic, much of our current product design and advertising have been designed to rejuvenate the *Samsonite* brand with the younger generation and rising middle class, in order to secure lifelong customers for our products. *American Tourister* is positioned similarly in Latin America as it is in North America, as a good quality, value-for-money proposition. We have not historically advertised *American Tourister* heavily in Latin America, and we are exploring initiatives to raise its brand awareness to increase sales. We are beginning to distribute *American Tourister* products through one of our distributors in Brazil, targeting second tier cities where the traditional *American Tourister* price points will be attractive.

The *Saxoline* brand fulfills a similar role to *Samsonite* in the Chilean market, while *Xtrem* consists primarily of backpacks and is marketed primarily to children and teenagers. We have recently developed the *Xtrem Samsonite* brand to use in other Latin American countries, particularly Mexico, in an effort to test the potential success of the brand outside of Chile. We believe that our experience with *Xtrem* in Chile can help us market to younger, casual consumers in other markets as well.

ADVERTISING AND PROMOTION



Our advertising takes two main forms. The first is focused on the product as “hero,” and stresses the qualities of the product itself, working particularly well with innovative product lines such as Cosmolite. The other presents “lifestyle,” focusing on the people who purchase our products, conveying either a sense of freedom or adventure. By using both of these approaches in our various markets, we can advertise our product lines by highlighting the qualities of individual products as well as the aspirational appeal of our brands.



BUSINESS

Our advertising campaigns are developed regionally, and are then shared between the regions when appropriate. Campaigns are executed through television, print, billboards, public relations initiatives, in-airport, on-line and in-store advertising. The coordination of advertising campaigns between the regions reinforces the global image of our brands in all of our various markets. We spent US\$102.5 million (or 8.4 percent of sales) on advertising in 2010, an increase of 132.6 percent from 2009, in anticipation of increased consumer spending and travel. Advertising spend in 2009 was down approximately 35 percent from 2008, as part of our initiative to manage our costs during the global economic downturn.

We advertise through a number of different media:

- *Television*—We have the resources and scale to develop high-quality television advertisements. We have developed a number of television advertisements in the past year to promote either popular or new product lines, such as Cosmolite and Cubelite.
- *Print*—We use print advertisements in a variety of locations, in newspapers and magazines, on billboards and posters, in airports, in-flight airline magazines, shopping malls and on buses. We also produce dealers' catalogs in a number of different languages.
- *Store Displays*—We have enhanced the advertising materials that we use in our retail locations and provide to wholesale customers. This includes signage, the installation of television screens that show our television advertisements as well as other informative pieces on the history of the Company or the features and benefits of our product lines.
- *Internet*—We are also exploring new online methods of advertising, including through Facebook, YouTube, Flickr and Twitter with the help of third-party social marketing firms.
- *Other media channels*—We have recently developed applications for the iPod and iPhone.

BUSINESS

We are also using advertising to move into categories where Samsonite has a less developed presence. For example, we are launching an advertising campaign in support of our *Pro DLX* mixed line of travel and business products in Europe and now in Asia. Our product marketing strategy in Asia usually entails introducing a new brand or line in one market, which, if successful, will then be introduced in other markets, making any adjustments needed to reflect local tastes. In Japan, we are conducting a “*Made in Japan*” campaign in support of our new leather products line. We are advertising business bags in Europe and the United States with the campaigns such as those shown below.



BUSINESS



Our advertising campaigns for *Samsonite* in Latin America are aimed at building upon our existing brand awareness and rejuvenating the brand for younger consumers. We are also targeting women, the key luggage consumers in this region according to the Company's research, and are promoting a modern brand image, reflecting the appeal of travel and freedom. Our advertisements are designed to be equally effective in both Spanish and Portuguese.

A vital piece of our campaigns is a multi-channel approach, with a unified message promoted online, in airports, in train stations and in newspapers. We use print media and television advertisements to raise general brand awareness, and targeted internet advertisements to directly drive sales of specific products.

We assist our trade customers in adapting their advertising to our regional advertising campaigns through various cooperative advertising programs which we partially subsidize in some cases. We employ other promotional activities to further support our trade customers and increase product sales, including in-store point of sale pricing support (sales specials, discounts) and display and marketing promotion activities.

RESEARCH AND DEVELOPMENT

Research

We devote significant resources to new product design, development and innovation as it is a core part of our strategy. We believe we have a strong track record of innovation, and our global scale allows us to make significant expenditures on research and development. We incurred research and development expenses of US\$14.8 million, US\$10.2 million and US\$10.5 million in 2008, 2009 and 2010, respectively. Research and development expenses were higher in 2008 as a result of our research and development function being performed by our London-based research and development center as well as by regional teams in North America, Europe and Asia. The London-based research and development center was closed in connection with our restructuring initiatives in 2009, as a result of which certain research and development functions have been transferred to our regional operations. As of December 31, 2010, globally we had 65 employees dedicated to research, new product design and development. We use the latest technology in product design and development, including 3D resin printers, state-of-the-art CAD software, and product design testing equipment.

BUSINESS

Each of our regions has a design team that develops products specifically for that region, and who are in communication with each other on a regular basis, sharing ideas and designs. Our European team is based out of both Oudenaarde, Belgium and Saltrio, near Milan, in Italy. Our global research and development activities are managed by the Vice President of Global Design and Development, based in our Saltrio facility. Our Asian design team is coordinated centrally in Hong Kong, with three local country teams located in each of Japan, South Korea and China. These country teams work to develop product lines appealing to the unique preferences of each market. Our North American design team is based in Mansfield, Massachusetts. Latin America sources the majority of its products from the other three regions, though the *Saxoline* and *Xtrem* product lines are designed by a team in Chile, and a small team of designers in Mexico adapts products as necessary for the Latin American market.



reddot design award
best of the best 2010

Our research and development team has most recently been responsible for the development of the hard-side production process using Curv material, the light and durable hard-side material used in the popular Cosmolite and Cubelite lines of products. Cosmolite, designed using Curv material and our innovative production process, recently won a coveted Red Dot design award for innovation. Important innovations in luggage technology, such as the spinner wheel system or the Curv material, are quickly incorporated into product designs across each of our regions, while aesthetic designs and features of our product lines are generally region-specific.

Our design teams are continuously developing new products, based on constant improvement and innovation. Our goal is to introduce at least one major innovation each year. The design process begins with our deep knowledge of the industry, supported by research on consumer preferences. We use a variety of market research tools to identify consumers' evolving functional requirements and style preferences. Our designers and development engineers then apply the results of these surveys to develop new products that respond to those requirements and style preferences.



The European market tends to be more demanding in terms of innovative designs and features. The Asian markets respond well to many of the same designs as the European markets, and so the results of our European product design and development are often introduced to the Asian markets, particularly for our *Samsonite* products. The majority of the

travel products sold in Asia are designed in Europe. However, individual country preferences are stronger in the business and casual product lines, as well as at both the higher and lower price points of the travel product lines. As a result, the majority of our *Samsonite Black Label* and *American Tourister* product lines marketed in Asia are designed by our Asian design teams. Some of our Asian designed *American Tourister* product lines have also begun to be marketed in Europe. In the North American market there is more focus on product features (ruggedness and durability) and price points, and less on style and aesthetics. Latin America relies on a combination of North American and European designs as well as creating their own designs to serve the region's product demands.

We aim to refresh our products on a continuous basis, taking into account the longer average product life of hard-side luggage compared to soft-side luggage. In 2009 and 2010, our North American product line was completely re-launched, with each product line receiving a substantial design makeover to bring its features and aesthetics more in line with North American consumer preferences. This ability to regularly refresh our product lines with new and innovative products is another strength that we enjoy in part due to our large size, which allows us to employ regionally-focused design teams.

Quality Control

We maintain a comprehensive quality control program for goods manufactured at our own plants and by third-party vendors. New products undergo a series of simulated use and stress tests to assure durability and strength. We use our own quality control inspectors, engineers and lab technicians, located in our own manufacturing facilities and quality assurance offices, as well as at vendors' production facilities, to monitor product quality and production standards. Quality control personnel take proposed designs and test them in a variety of ways that simulate the treatment that luggage products receive in the real world. These tests ensure that new products are able to withstand greater stresses than they would ordinarily be subjected to, and are a key reason for our brands' reputation for durability. The tests that we run on each of our proposed new products include:

- dropping a weighted bag at least 2,500 times by its pull handle;
- running a weighted bag at least 10 miles over a rough, uneven surface to test the wheel strength;
- exposing the surface of soft-side products to various liquids to test absorption and discoloration; and
- tumbling bags in a large rotating wheel to test overall construction.

We use both quality inspectors and quality test laboratories to monitor the production of third-party suppliers in Asia. Quality inspectors inspect all outbound shipments of product as they leave the factory. In addition, quality inspectors are available to visit particular factories at the request of regional managers. We also assign vendor support personnel to specific third-party factories, where they are responsible for inspecting and monitoring the work in process as well as the quality of the finished goods at the factory. Both the quality inspectors and the vendor support personnel ensure that the functionality and aesthetic of the products are within acceptable parameters. Our quality test laboratories test new products for proper functionality

BUSINESS

and acceptable quality of raw materials. The quality test laboratories in Shekou (Shenzhen, China) monitor products bound for Europe or North America, while the quality test laboratories in Ningbo, China monitor products for Asia, and a quality test laboratory in Vietnam monitors the production facilities in Vietnam and Thailand. We have not had any product recalls during the Track Record Period.

Warranties

Our extensive quality control systems ensure that our products are properly tested and checked before being delivered to the customer. This has resulted in average warranty costs of less than one percent of net sales in the period from 2008 to 2010. Our warranty policy varies by brand and product line, with typical warranty coverage running from three to five years, and for some products beyond five years.

At the time product sales are recognized, a provision is made for estimates of warranties. This estimate of warranty costs is primarily derived from historical return rates and repair costs, and these estimated costs are in turn reflected in our warranty accrual, which is presented as part of trade and other payables in our combined statements of financial position. Our warranty accrual was US\$9.3 million, US\$9.5 million and US\$9.0 million as of December 31, 2008, 2009 and 2010, respectively.

SOURCING AND MANUFACTURING

Over the past decade, we have transitioned from manufacturing significant portions of our products in-house to outsourcing most of the production. A significant majority (94 percent of units in 2010) of our products is supplied by third-party factories which meet the same quality standards as our in-house manufacturing, as well as our production and social compliance standards. This outsourcing keeps our fixed cost base low, and allows the Company to allocate production to the most competitive suppliers. Most of our third-party suppliers are located in China, which accounted for approximately 84 percent of total production in 2010, as well as Vietnam, Thailand, India and Bangladesh.

Our in-house manufacturing facilities produce mainly hard-side luggage, including the entire supply of products using the Curv material in order to protect our intellectual property. Our production facilities outsource certain more labor-intensive components to third parties where it is cost-effective to do so.

Sourcing

Our global product sourcing network consists of over 100 third-party finished goods and raw materials suppliers. This extensive sourcing and supply chain is a significant advantage in the luggage business, and means that we are not dependent on any single supplier whose loss would be material to us. Moreover, this results in competitive pricing, payment terms and shipping costs. We negotiate framework agreements with standard terms and conditions with each of our suppliers, while pricing and production volumes are negotiated for each purchase order. Under the terms of our supply agreements, suppliers warrant that goods will be free of defects and will be delivered in a timely manner. Suppliers must obtain our consent before sourcing materials from third parties and may not subcontract without our consent. Our suppliers must also warrant that they comply with all applicable laws, and must agree to

BUSINESS

comply with our social compliance policy. We do not enter into long-term supply agreements with our suppliers, and there are no contractual commitments beyond those in the individual purchase orders. Our suppliers source their own raw materials. In keeping with our strategy to maintain costs at reduced levels, we constantly seek out new suppliers in lower-cost production regions. Our top five suppliers accounted for only 34 percent of our outsourced production in 2010 (34 percent in 2009 and 39 percent in 2008), with no single supplier accounting for more than 10 percent in the three years ended December 31, 2010. None of our Directors, their associates or any Shareholder with an interest of more than five percent in the Company holds any interest in our top five suppliers.

We are continuously identifying new suppliers and, in 2010, we visited almost 100 new suppliers, entering into supply arrangements with 18 of these. We evaluate potential new suppliers extensively, examining the production quality, and their capacity and willingness to open new production lines if needed. We also review every new factory's social compliance standards, to ensure that they comply with our social compliance standards as well as with local regulations. We have a social compliance auditor who visits third-party suppliers on a regular basis and audits their compliance with our social compliance policy. This social compliance diligence is reinforced by our preference for larger, reputable suppliers, given the average size of our purchase orders. These are often suppliers for other well-known international brands as well, who also conduct their own social compliance audits. Any evidence of practices that would violate our social compliance policies that are not remedied by the third party would result in the termination of our working relationship with that party.

We handle sourcing on a regional level, coordinated by our chief supply officer (“**CSO**”), who is located in Mansfield, Massachusetts. The role of the CSO is to ensure that a stable supply chain is in place in order to meet our total regional demand for products. This entails providing high-quality goods on-time, whilst remaining cost effective by managing both external and internal supply and demand. The primary responsibility for concluding supply arrangements rests at the regional level, which allows our different regional businesses to negotiate and agree production capacity for products that are tailored to their particular requirements. Our agreements with our suppliers consist of a set of standard terms and conditions, while the terms of our purchase orders are negotiated on an order-by-order basis.

The CSO coordinates sourcing with the regions through regularly held meetings to discuss capacity, pricing, resourcing activities, the condition of suppliers and delivery issues. In addition, the supply team, composed of the CSO and the regional supply officers, meets periodically in Asia to discuss capacity needs for the next six to twelve months, and to visit factories supplying multiple regions. This level of coordination enhances the ability of the regions to source products independently while making sure that our overall sourcing needs are being met. The regional supply teams meet regularly with the regional design teams, the sales and marketing teams and the distribution teams in order to make sure that the various requirements of each team are being met. We generally use a strategy of dual sourcing with our larger, more popular product lines, using two suppliers to manufacture a product line simultaneously, thereby mitigating the risk of one supplier being unable to provide on-time delivery. In addition, because most of our product lines have been competitively quoted and sampled at multiple suppliers, a problem at one supplier can be quickly remedied by placing new orders at another supplier that has already been quoted, preserving product lead time.

BUSINESS

We operate the China coordination center in Shekou (Shenzhen), China, to ensure that regional sourcing requirements are executed on time and according to acceptable standards of quality. We have vendor support personnel who monitor the development, production and quality of the process, ensuring that products ship on time, and also identify issues that may require resolution. We also have development engineers who ensure that the first production run of a given product line at a supplier matches the quality of the approved sample of that product line. Each of the regional sourcing teams interacts with the third-party factories on a daily basis. Purchase orders are issued through SAP for our operations on the SAP system, with status reports generated on a regular basis, allowing for thorough monitoring of the order status.

Finished Goods Components

Soft-side luggage is primarily made from fabric including nylon, polyester and vinyl, as well as aluminum, steel, plastics and leather. These materials are purchased from various vendors throughout China and Taiwan by our finished goods suppliers and are readily available. Our in-house hard-side luggage products fall into two categories. Our traditional product lines are composed primarily of polypropylene, and various combinations of ABS (acrylonitrile butadiene styrene) and polycarbonate. These hard-side materials are readily available in the market, as numerous third-party vendors exist. Our third-party hard-side suppliers utilize raw material suppliers in China, Germany and Taiwan for ABS and polycarbonate materials. Our Cosmolite and Cubelite product lines use the Curv material, which we source from its sole producer, Propex, located in Europe. We have an exclusive agreement for the supply of this material for use in travel and business luggage products.

The cost of raw materials, either directly or passed on through our suppliers' prices, comprise around 65 percent of our overall cost of sales and rising raw material prices present us with a constant challenge. We monitor key commodity items on a monthly basis, including crude oil (the price of which is heavily correlated to the price of plastics used in our products), aluminum, steel, polyvinyl chloride (PVC), yarns and resins, and we are therefore able to anticipate increases in the costs of key materials. We can then adapt the design of our products to take advantage of less expensive materials or to achieve a reduction in the amount of more expensive materials required by the production process. It also allows us to validate any increases in prices from our raw material and finished goods suppliers. An increase in raw materials prices generally results in an increase in the prices of our products, but we are often able to work with suppliers to share the burden of raw materials price increases in order to enable us to continue to offer competitive prices to our customers. For 2008, 2009 and 2010, raw materials (which include packaging materials), calculated as a 12-month average, represented approximately 5.7 percent, approximately 5.2 percent and approximately 5.5 percent of inventory, respectively.

In-house Manufacturing

In 2010, we manufactured approximately six percent of our products by volume in-house. This consisted almost entirely of hard-side production, which requires greater expenditures on machinery and equipment in comparison to soft-side production. All of our products manufactured using Curv material are produced in-house, including our Cosmolite and Cubelite product lines.

BUSINESS

Our in-house production facilities consist of factories located in Oudenaarde, Belgium, Szekszard, Hungary, and Nashik, India.

Oudenaarde, Belgium

Our production facility in Oudenaarde specializes in the manufacture of hard-side products, mainly using polypropylene. We began manufacturing operations in Oudenaarde in 1966. The facility has six assembly lines, twelve large injection molding machines for making suitcase shells and eight small injection molding machines for making components. Additional, more labor-intensive components of polypropylene products are sourced from Eastern Europe, Asia and North Africa. The Oudenaarde facility also has two compression molding machines used for creating the shells of our Cosmolite and Cubelite hard-side travel products, which are then shipped to our production facility in Szekszard for finishing. In 2010, this facility produced approximately 593,000 units (35.3 percent of our in-house production). This manufacturing facility employs approximately 150 employees.

Szekszard, Hungary

Our production facility in Szekszard, Hungary, specializes in the manufacture of products using Curv material. We acquired this facility in 1991 when we bought out our joint venture in Hungary. The facility consists of four compression molding machines and four assembly lines. The employees at the Szekszard facility are skilled at the labor-intensive attachment of zippers and installation of interior linings, enabling this facility to manufacture and assemble complete Cosmolite and Cubelite products. The Szekszard facility produced approximately 420,000 units (25.0 percent of our in-house production) in 2010. We are currently planning an expansion to this facility to meet increasing demand for products incorporating Curv material, with the addition of three compression molding machines and two assembly lines. This manufacturing facility employs approximately 300 people.

Nashik, India

Our production facility in Nashik, which is owned by our majority-owned joint venture in India, specializes in the manufacture of polycarbonate hard-side products, and also produces some injection molded polypropylene hard-side products, as well as some products based on the Curv technology. The facility produced approximately 667,000 hard-side units (39.7 percent of our in-house production) in 2010. This manufacturing facility employs approximately 315 people.

DISTRIBUTION AND LOGISTICS

The distribution process involves the delivery of products from manufacturers, both outsourced and in-house, to our distribution centers, and then to our wholesale customers and retail locations. In addition, we arrange for shipments of products from the manufacturer directly to the customer for some of our large customer accounts, particularly in North America. Europe and North America each have a central distribution center that coordinates the delivery of our products to our customers, while Asia and Latin America use a network of local distribution centers supported by distribution hubs. However, each region's distribution channels vary according to the nature of the customers in that region. North America is characterized by a high concentration of wholesale customers, whereas Europe has a range

of wholesale and retail customers. The Asian customer base is not as concentrated as North America, but is more concentrated than Europe, with distribution channels varying on a country-by-country basis. We shipped 26 million units globally in 2010.

Distribution Centers

We now operate the following: one distribution center in Europe, which is located in Oudenaarde, Belgium; one distribution center in North America, located in Jacksonville, Florida; a number of distribution centers in Asia; and a number of distribution centers in Latin America, based around two hubs. This consolidation allows us to more effectively monitor our inventory as well as the quality of our products. We have in place quality control procedures at each of our facilities to monitor the quality of both inbound and outbound products, both finalized products and components for our products.

In addition, we utilize third-party warehousing services in areas where local warehousing and distribution are necessary and cost-effective. We determine whether to maintain our own warehousing facilities or to use warehousing facilities provided by third parties principally on the basis of cost, sophistication of systems provided by professional third-party warehousing providers and the amount of management time saved.

European Distribution Center

The European Distribution Center consists of four connected warehouses located in Oudenaarde, Belgium, also the site of one of our hard-side production facilities and our European regional headquarters. The European Distribution Center has total floor space of approximately 411,000 square feet. This location is close to the ports of Rotterdam and Zeebrugge, where shipments of our products arrive from manufacturing facilities in Asia. Oudenaarde enjoys good rail and road links, enabling efficient delivery of products across Europe. We delivered to 19 countries in 2010. The average delivery time of our products from the European Distribution Center to any customer in Europe was approximately three days in 2010.

Jacksonville Distribution Center

The Jacksonville Distribution Center consists of a leased warehouse, with total floor space of approximately 818,000 square feet. The majority of the products coming into North America from Asia pass through Jacksonville. Products are transported to Jacksonville by ship, a journey of five to six weeks, passing through the Panama Canal. If faster delivery is required, products are shipped to the port of Los Angeles and transported overland by rail to our distribution center. Products are shipped from the Jacksonville facility via rail or road to our customers in the United States. We also arrange direct shipments for certain of our largest wholesale customers, with approximately 35 percent of our products for wholesale accounts shipped directly rather than routed through our distribution center. The facility in Jacksonville is partially automated and employs a high quality, flexible labor force. The Jacksonville facility was built as part of our strategy to consolidate our logistical infrastructure in the United States, replacing several former warehousing and distribution facilities in Denver and two former facilities in Jacksonville. This warehousing consolidation has resulted in greater distribution efficiency and increased cost savings.

The Asian Distribution Network

Our distribution network in Asia is more decentralized than in Europe or North America. This is driven in part by the geography of the region, with many countries separated from each other by water, as well as by the customs clearance requirements of many Asian countries, which can lead to delays in importing and exporting products, and also by the growth of the emerging markets in Asia, which favors a flexible local distribution network. As a result, in addition to the central Asian distribution center, located in Shenzhen, China, we operate at least one warehouse in each major market. Product shipments from suppliers either go directly to the countries that purchased those products, or they go through the Asian distribution center, depending on which method is more efficient for the country in question. The central warehouses within each country are responsible for replenishing inventory at our retail locations, as well as at our wholesale customers or distributors in each country. In larger countries, such as China, India and Australia, we also operate warehouses in the larger cities to ensure timely delivery of products to our customers.

The Latin American Distribution Network

Our distribution network in Latin America consists of one distribution hub based in Mexico City and servicing northern Latin America, and one fully scalable third-party distribution hub based in the Uruguay Free Zone, and servicing southern Latin America. Chile manages its own domestic distribution of *Saxoline* and *Xtrem* products. We receive finished products from our Asian manufacturers into Mexico City and the Uruguay Free Zone, from where they are distributed either domestically or to the surrounding countries. Eighty percent of the products shipped to Mexico are for the domestic Mexican market, while the majority of products shipped to Uruguay are meant for markets outside of Uruguay. We distribute to the Brazilian market from the Uruguay Free Zone, either shipping directly to retailers, or providing products to a growing network of distributors within the country. The Uruguay distribution hub also provides products to Argentina.

Inventory Management

Our inventory consists of finished products, semi-finished products, packaging materials and raw materials. Our logistics infrastructure has been upgraded and consolidated in recent years, to enable us to provide an improved level of service to our customers. Part of this has been accomplished through the centralization of warehousing in mature markets.

Our overall inventory levels are managed on a regional level and are adjusted based on our sales and marketing plans (including the timing of new product launches) as well as our warehousing and logistics resources. We collect sales information from our regional sales teams which enable us to monitor sales performance by product and adjust production volumes accordingly.

Our inventory levels vary according to season and regional requirements communicated by our various sales offices. Our inventory levels over the past three years have varied as a result of the global economic downturn, with significant inventory building up in late 2008 and early 2009 due to a decrease in consumer spending and global product lines that were not successful in some regions. Inventories were reduced during the global downturn especially

BUSINESS

in the latter part of 2009. During 2010 we have rebuilt inventory to a level consistent with the growth strategy of the business.

Management Information Systems

We employ a range of computer systems to support our business through the management of inventories, sales orders, e-commerce, supply chain and financial reporting. We have invested significant resources in the establishment of scalable, state-of-the-art management information systems, in order to take full advantage of our global distribution and sourcing platforms.

We have invested over the past few years in the implementation of SAP. This system controls purchasing, supply chain management, planning, manufacturing and subcontracting. This software is implemented as a single global instance to ensure data integrity and consistency of information across all entities on SAP in the organization. It is supported through three regional IT centers, and enables each region to accurately capture, analyze and communicate its inventory data, marketing and pricing information and management information. As of December 31, 2010, we had implemented SAP across the North American and European regions, including our corporate back-office in Mansfield, Massachusetts, and a number of Asian subsidiaries. Our joint ventures and a number of our subsidiaries in Asia use their own enterprise management systems, while our Latin American subsidiaries use the JD Edwards enterprise management system. Order processing and warehouse management at our Jacksonville and Oudenaarde distribution centers and our Szekszard manufacturing facility are integrated through SAP. The SAP system is hosted by a third-party provider and is entirely scalable.

We also operate extranets in some of our regions, which allow our wholesale customers and third-party retailers to view inventory and place orders for our products. In the United States our large wholesale customers can place orders through *EDI*. In Europe, our larger wholesale customers use *EDI*, but, in addition, we have many smaller wholesale customers who use our internally developed system *LUGGIN* to view availability and place orders online.

INTELLECTUAL PROPERTY

We are the registered owner of *Samsonite* and *American Tourister* trademarks. As of April 30, 2011, we had approximately 291 trademark applications and approximately 1,850 registered trademarks in 128 countries covering luggage, travel equipment, apparel products and retail services. Our *Samsonite* and *American Tourister* trademark registrations in our principal geographic markets are of material importance to our business. Our trademark registrations in the United States and elsewhere will remain in existence for as long as we continue to use and renew the trademarks on a timely basis. The substantial majority of our intellectual property is held by our subsidiary, Samsonite IP Holdings S.à.r.l.

We register our trademarks in countries where products are sold or manufactured for our primary brands (*Samsonite*, *American Tourister*), our sub-brands (such as *Red*, *Black Label*, *Xtrem*) as well as our key product line names (such as *Cosmolite*, *Silhouette*).

As of April 30, 2011, we also have approximately 103 pending and 785 issued design patents in 39 countries, and approximately 79 pending and 130 issued utility patents in 32 countries.

BUSINESS

We pursue a policy of seeking patent protection where appropriate for inventions embodied in our products and for unique designs. New potentially patentable ideas from our research and development teams are subjected to patentability and non-infringement analyses before a decision is made to pursue a patent. Our emphasis on innovation is a significant component of our competitive strategy in applicable portions of our business, particularly with respect to hard-side and hybrid luggage products as well as wheel technology. Our patents and pending patent applications cover features, designs and processes in most of our mid and higher priced product lines as well as popular lower priced items.

In the case of utility patents we generally file the application in the region where the innovation originated as well as where the innovation will be used in manufacturing, and can then be introduced to other key jurisdictions as appropriate. Design patents, which protect original designs, or the aesthetic of a product, are applied for only if the heads of our regional businesses determine that the design requires protection. Applications are then filed in those countries where products incorporating that design will be sold or manufactured.

Our IP enforcement strategies vary across each of the regions in which we operate, reflecting the different types of protection of our IP required in each. Our strategy in Europe is much more heavily focused on securing patents for our products, which reflects the fact that Europe is the center of our product innovation efforts. In Asia we focus much more on brand protection and prosecution of counterfeiters, with a corresponding effort to secure trademarks for our product line names and brands. Our anti-counterfeiting activities include training customs officials to identify counterfeit goods, monitoring factories in China where counterfeits originate, and monitoring online marketplaces. We utilize trademark monitoring services and rely on our sales force in the various markets to identify potentially infringing products. From time to time, third parties have sought to imitate the Group's patented products or trade off the reputation of the *Samsonite* and/or *American Tourister* brands. In the three years ended December 31, 2010, no such infringement of the Group's patents or trademarks has had a material adverse effect on the business or reputation of the Group. The Group aggressively takes action to enforce its intellectual property rights against such third-party infringers by sending "cease and desist" letters, filing opposition and cancellation proceedings, and, if necessary, bringing suits against the infringing party. The Group identifies infringers through its business teams in the various regions who are in the marketplace evaluating third-party activity; through trademark watch services; through professional investigators; and through customs officials who work with the Group to detain potentially infringing product at border locations.

BUSINESS

EMPLOYEES

As at December 31, 2010, we had approximately 5,752 employees worldwide, broken down by region and function as follows:

	<u>As at December 31, 2010</u>
Region	
North America	535
Latin America	1,139
Europe	1,258
Asia	2,774
Corporate	46
Total	5,752
Function	
Sales and Marketing	1,161
Retail Stores/Retail Management	1,571
Distribution	1,507
Sourcing/Supply Chain	934
Research, Development and Design	65
General & Administrative	514
Total	5,752

In Europe, union membership is not definitively known to us, as union membership is confidential and varies from country to country. We have works councils in Belgium, France, Hungary and Italy. Our employees in other countries may be represented by unions, however we do not have specific knowledge of which European countries (or which workers) have unions. 157 of our employees in India are members of a union, and our employees in China are also members of the All-China Federation of Trade Unions. These are our only unionized employees in Asia.

We believe that our employee and union relations are good worldwide.

PENSION PLANS AND DEFINED BENEFIT SCHEMES

Certain of our subsidiaries have pension plans and post-retirement health benefit plans which provide retirement benefits for eligible employees.

One of our US subsidiaries sponsors a defined benefit retirement plan, the Samsonite Employee Retirement Income Plan, which covers certain employee groups. The retirement benefits provided by this plan are based on a final average pay formula. We also maintain a supplemental retirement plan for certain management employees. Both of these plans were closed to new entrants as of January 1, 2010, and as of December 31, 2010 no additional pension credits can be earned by existing participants.

Another of our US subsidiaries provides health care and life insurance benefits to retired employees who meet certain eligibility requirements based on their age and years of service. This plan was closed to new entrants with regards to life insurance benefits as of January 1, 2009 and with regards to health care benefits as of December 31, 2009.

BUSINESS

Our Belgian subsidiary sponsors a pre-pension defined benefit retirement plan for employees who meet certain eligibility requirements based on their age and years of service. Benefits are calculated based on a final pay formula and are contributed until the participating employees reach the legal retirement age.

Each of these plans is administered by an independent trustee, and the assets supporting these plans are held separately from our other assets. We currently fund each plan with contributions that are based on independent third-party actuaries' recommendations regarding the amount to contribute to such plans on an annual basis. Such contributions are invested in assets for the respective plans. The difference between (i) the present value of our current and future obligations to the participants of the above-described plans (which is determined by actuarial valuations prepared by independent qualified actuaries) and (ii) the fair value of the plans' assets represents the net pension liability attributable to our pension and post-retirement health benefit plans.

The following table sets forth the amounts recognized in our combined statements of financial position as of December 2008, 2009 and 2010 in connection with our pension and post-retirement health benefit plans:

	As of December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Present value of wholly or partly funded obligations	(232,427)	(234,485)	(234,748)
Fair value of pension assets	131,284	134,724	157,624
Net pension liability⁽¹⁾	(101,143)	(99,761)	(77,124)
Net unrecognized actuarial losses ⁽²⁾	—	—	—
	<u>(101,143)</u>	<u>(99,761)</u>	<u>(77,124)</u>

Notes:

- (1) Net pension liability represents the amount by which our pension and post-retirement health benefit plans are underfunded.
- (2) Actuarial gains and losses represent (i) the effects of differences between previous actuarial assumptions (including, but not limited to, assumptions regarding salary increases, employee tenure, discount rates and expected rates of return on plan assets) and what has actually occurred and (ii) the effects of changes in actuarial assumptions. Since we recognize all actuarial gains and losses in our combined statements of comprehensive income, we do not have any unrecognized actuarial gains and losses for 2008, 2009 or 2010.

PROPERTY INTERESTS

We lease our office in Mansfield, Massachusetts, our office in Hong Kong, our Jacksonville Distribution Center and our facility in Mexico City. As at April 30, 2011, we lease a total of 91 properties in 34 countries which we use as office premises, showrooms, storage, warehousing facilities, distribution centers and corporate headquarters. As at April 30, 2011, we also leased 432 retail locations in 27 countries from third parties. The terms of our retail locations leases typically range from a minimum of one year to five years. The majority of such leases prohibit our alienation or assignment thereof without the prior written consent of the landlord.

We own manufacturing plants and warehouses in: Oudenaarde, Belgium; Szekszard, Hungary; and Nashik, India, as well as an office and a design facility in Saltrio, Italy and an office and small warehouse in Ningbo, China. One of our warehouses in Oudenaarde, Belgium, and the land on which it is situated is subject to a sale-leaseback arrangement, and

BUSINESS

is accounted for as such, with the gain on the sale deferred and amortized over the term of the lease. The warehouse in Ningbo, China, is constructed on land that is under a land-use right contract granted by Ningbo Land Bureau that will expire in 2046. The cost to enter this contract has been recognized in the combined statements of financial position as land and is being amortized over the term of the contract.

The Group's total property interests comprised approximately 2.2 percent of the Group's total assets as at December 31, 2010 (calculated by reference to the book value of the relevant property interest as a percentage of the value of the Group's total assets, both as shown in the Accountants' Report). Calculated on the same basis, the value of Group's most valuable property comprised 1.3 percent of the Group's total assets as at December 31, 2010.

The Sole Sponsor and our Directors are of the opinion that as at April 30, 2011, none of the leased properties is individually material to our Group in terms of total net sales and total rent and occupancy expenses.

The Company confirms that there were no further acquisitions or disposals of the properties since April 30, 2011.

Please see "*Exemptions from the Hong Kong Companies Ordinance and Waivers from the Listing Rules*" in relation to a waiver we obtained from strict compliance with the Listing Rules and certificate of exemption from the requirements of the Companies Ordinance regarding property valuation.

For further details of the Owned Properties and Leased Properties of the Group, please see the section headed "*Statutory and General Information—Further Information About the Group—Owned Properties and Leased Properties of the Group*" in Appendix VI.

COMPETITION

Competition in the luggage industry tends to vary across different parts of the world and is highly fragmented. We have significant regional competitors in each of our markets (Asia, Europe, North America and Latin America). We are, however, one of the few companies that operates on a global scale.

Throughout our regional markets we compete based on brand name recognition, reputation for product quality, product differentiation, new product innovation, customer service, high-quality consumer advertising campaigns and quality to price comparisons. We are well established in the distribution channels critical to luggage distribution, which we believe gives us a competitive advantage.

The manufacture of soft-side luggage is labor intensive but not capital intensive; therefore, barriers to entry by competitors in this market are relatively low. This is reflected by the many small competitors present in the soft-side luggage market. In addition, we compete with various large retailers, some of whom are our customers, who have the ability to purchase private label soft-side luggage directly from low-cost manufacturers. The manufacture of hard-side and hybrid luggage is more capital intensive and there are relatively fewer finished goods

BUSINESS

vendors. Nonetheless, we have several significant competitors worldwide in the hard-side luggage market.

INSURANCE

We maintain a range of insurance cover in relation to our business that are customary for our industry, including without limitation property damage and business interruption insurance, product liability insurance and carriage of goods insurance.

We have not made any material claims on any insurance policy maintained by us during the period beginning January 1, 2008 to the Latest Practicable Date.

LEGAL AND REGULATORY MATTERS

Regulatory Compliance

We are of the opinion that all members of our Group have obtained and currently maintain all necessary permits and licenses which are material to our Group's production and sales activities actually being conducted. Further, there were no findings notified to us by any regulating authority in the jurisdictions in which we operate of any material non-compliance with any rule, regulation or law to which our business is subject, or any material irregularities as a result of periodic visits and audits, during the Track Record Period. The Group has not experienced any material labor disputes during the Track Record Period and we are in material compliance in all material respects with the labor laws of the jurisdictions in which we operate.

We operate in the consumer products retail business, a business characterized by lighter regulations than more manufacturing-intensive businesses. In addition, we outsource the great majority of our production to third parties, and sell the great majority of our products through third-party wholesalers. This reduces the number of regulations we are subject to in most of our jurisdictions, and reduces the material effect of those regulations that we are subject to. We are required to secure licenses and permits to operate our owned manufacturing facilities in Oudenaarde, Szekszard and Nashik, and our office in Ningbo, China. While our centralized legal team provides oversight and coordination of compliance with the rules, regulations and laws to which we are subject, each of our regional management teams has its own legal function which ensures compliance on a regional level, as well as maintaining the necessary licenses and permits to run our business in each region.

Competition Regulations

We, like all large companies, are subject to various competition laws and rules, including laws and rules on merger control, restrictive agreements and abuse of dominance or monopolization. We work to ensure that we comply fully with these laws and regulations. If we were to be deemed to have a dominant position in a particular market segment, and were deemed to have abused that dominant position, we could be subject to regulatory action. In addition, if we were to pursue certain acquisitions of businesses we may be subject to competition regulations depending on the degree to which the business is a competitor in the markets in which we operate.

Environmental Protection

Our operations throughout the world are subject to national, state and local environmental laws and regulations. These environmental laws and regulations govern the generation, storage, transportation and emission of various substances. We work to ensure that our existing operations comply fully with these laws and regulations. Although compliance involves continuing costs, the ongoing costs of compliance with existing environmental laws and regulations have not had, nor are they expected to have, a material effect upon our cash flow or financial positions. From time to time we have incurred, or accrued for, cleanup or settlement costs for environmental cleanup matters associated, or alleged to have been associated with our historic operations. To date these expenses have not had a material effect upon our cash flow or financial position. Unknown, undiscovered or unanticipated situations or events may require us to increase the amount we have accrued for any environmental matters.

Regulation of Materials

REACH. Our operations in Europe are subject to the hazardous materials regulations known as REACH (Registration, Evaluation, Authorization and Restriction of Chemical substances), the European Union regulation on chemicals and their safe use. We are required to gather information on the chemical substances we use both in own production and in imported goods, and to communicate to our customers which of the hazardous substances on the list of Substances of Very High Concern (“**SVHC**”) we use in our products which we have done and continue to do through regular communications. If we use more than one ton of a substance on the list of SVHC, and if this substance has not been registered for the particular use we are making of such substance, we are required to notify the European Chemicals Agency (“**ECHA**”), though we do not believe we are currently required to notify the ECHA of any substance we use. Currently, we use small amounts of certain phthalates on the SVHC list in some of our soft-side products. The EU has indicated that these substances must be phased out by February 21, 2015. We are working proactively with our suppliers to phase out these materials, and do not believe that this requirement will have an adverse impact on our business.

Proposition 65. Proposition 65 is a California hazardous material regulation that provides a list of chemicals that, if included in products, must either be included in safe amounts, or the products must be labeled, disclosing to the consumer that the product contains a substance determined by the State of California to be potentially harmful. Similar to REACH, this list of chemicals includes phthalates, and is enforced through civil litigation in the state of California.

Corporate Social Responsibility

We have adopted a social compliance policy that is strictly adhered to in our dealings with third-party suppliers. We monitor our third-party suppliers for any practices that would violate our social compliance policies, such as child labor, forced labor or any other human rights violations. Any evidence of practices that would violate our social compliance policies that are not remedied by the third party would result in the termination of our working relationship with that party.

Litigation***The Lankhorst Matter***

Lankhorst Pure Composites B.V. manufactures and sells a polypropylene material known as PURE for use in a wide variety of products. We had a contract with Lankhorst from 2002 to 2004 under which the two parties studied whether the PURE material could be used to manufacture luggage shells. This venture was ultimately unsuccessful because we decided that the PURE material did not meet our needs. Since the contract with Lankhorst was terminated in 2004, we have not had a business relationship with them. In May 2010, Lankhorst sued a number of our subsidiaries in the Netherlands, challenging our ownership of our pending patent applications relating to the production process used to manufacture our Cosmolite and Cubelite product lines. Lankhorst claims sole, or at least partial, ownership of the patents for the Curv production process and seeks unspecified damages under breach of contract and tort claims. If we were compelled to share ownership of these patents with Lankhorst, Lankhorst would be allowed to practice these patents and to license them to others, which could diminish the competitive advantage we believe we hold with respect to the manufacture of ultra-lightweight hard-side luggage using the Curv material (currently sold primarily in Europe and Asia). If partial ownership were awarded to Lankhorst, it would not affect our ability to source the Curv material on an exclusive basis so long as minimum purchase amounts were maintained. If partial or sole ownership were awarded to Lankhorst, we could also be ordered to pay damages to cover Lankhorst's lost opportunity for the period during which we produced products using the Curv process, which began in late 2008.

In addition, if Lankhorst were to be awarded sole ownership of these patents, we would be forced to discontinue all manufacturing that used the Curv process and possibly negotiate a license to use the relevant patents. In the absence of such a license, we would use our strong R&D capability to seek to develop as quickly as possible new ultra-lightweight hard-side products using different materials or different processes, in order to cater to the regions where Curv-based hard-side products are currently sold. Our Cosmolite product line is a significant contributor to our net sales and our gross profit, and we believe that Cubelite will become a significant contributor as well. Sales of Cosmolite accounted for approximately 0.4 percent, 3.4 percent and 7.5 percent of our net sales and 0.4 percent, 3.6 percent and 7.8 percent of our gross profit in 2008, 2009 and 2010, respectively. Cubelite, released in 2010, accounted for less than one percent of our net sales and our gross profit in 2010. As such, if we were forced to discontinue manufacturing using the Curv process, it could have a material adverse effect on our net sales and profitability.

However, we believe that Lankhorst's claims are without basis in fact, and that we have a strong case for sole ownership of the patents. We have been advised by our legal counsel that we have good arguments in support of our position. We are currently litigating this matter in the Dutch courts. We have not made a provision for the litigation as Lankhorst has not specified any particular amount of damages and we believe that potential damages are too speculative at this early stage in the litigation to be quantifiable. Our patent applications relating to the process we use to manufacture the outer shell of our Cosmolite luggage have been stayed pending the resolution of this litigation. We have continued to use the process that is being disputed by Lankhorst pending the results of the litigation with Lankhorst. No injunction against our use of the process has been sought or granted. We have been advised by our legal counsel that, in the absence of such an injunction, there is no legal bar to the

BUSINESS

continued use of the process while the litigation is pending. See *“Risk Factors—Risks Relating To Our Business—Our efforts to protect our intellectual property by registering patents and trademarks with the relevant authorities and to avoid infringing on the intellectual property rights of others may not be successful, which could affect the reputation of our brands and our net sales and profitability.”*

Energyplast

Several litigations arose in connection with our 2005 sale of a French manufacturing facility and the related automatic transfer of employees to Energyplast SAS (“**Energyplast**”). In 2007, Energyplast filed for bankruptcy, which resulted in several separate actions being initiated against us in various French courts.

In May 2007, a group of former employees initiated one such action against us. In November 2008, a French court found, contrary to the allegations of these former employees, no fraud in the sale, but found that we bore a liability to the former employees of the manufacturing plant, for which we paid €6.3 million in 2009. This damage award was based on the court holding that Samsonite had remained the real employer of the employees after the transaction because Energyplast was not considered an autonomous unit. Due to the fact that Samsonite, as the real employer, had not put in place a social plan, damages were awarded to the workers.

Another claim was filed by a group of former employees in French court in December 2007, seeking to overturn the original sale of the shares in Energyplast to the buyer. The court found that there was fraud in the sale on the part of the buyer of Energyplast, consisting of the fact that the buyer embezzled the cash provided by Samsonite to maintain production at the manufacturing facility, and overturned the sale. We have appealed this decision. In addition, the plaintiffs added a claim in the appeal, claiming approximately €3 million in moral damages.

The liquidator of the Energyplast estate filed a claim in July 2010, claiming that we owe €13.1 million to the estate, consisting of salaries and social charges in respect of the former employees for the period between the sale of the shares in Energyplast and its petition for bankruptcy, either because Samsonite had remained the real employer of the Energyplast employees, or in the alternative, that the original sale of the shares in Energyplast had been overturned. The claim also included monies owed by the estate to the AGS, a French government agency, in respect of amounts advanced by the AGS to the estate to allow the liquidator to make legally mandatory payments to the workers following the bankruptcy. The liquidator filed another claim in December 2010, claiming that we are liable for all of the liabilities of the bankruptcy estate, approximately €13.95 million, on the grounds that Samsonite was negligent and committed faults in the arrangement of the overall transaction. According to this second claim, Samsonite’s negligence is allegedly in the choice of the buyer and the lack of sufficient financial and industrial due diligence with respect to the feasibility and the viability of Energyplast’s business plan. We do not believe that either of the liquidator’s claims have any merit, and we are currently litigating these claims. We have been advised by our legal counsel that we have good arguments in support of our position.

Other Litigation

In addition to the above matters, we are occasionally involved in routine litigation matters that are common for our industry, such as minor employment disputes and contractual

BUSINESS

disagreements with our suppliers and/or service providers, none of which we believe has been material. As at April 30, 2011, the Group was involved in approximately 25 such matters with respect to which the Company believes its maximum aggregate exposure is approximately US\$3.5 million. Further, during the Track Record Period, no member of the Group has been sanctioned or, to its knowledge, investigated by any relevant authority for not having obtained, all necessary permits and licenses required for its respective production and sales activities as conducted.