SAMSONITE INTERNATIONAL S.A.

新秀麗國際有限公司

13–15 Avenue de la Liberté, L-1931 Luxembourg

R.C.S. LUXEMBOURG: B 159.469

(Incorporated in Luxembourg with limited liability)

(Stock code: 1910)

CLARIFICATION ANNOUNCEMENT

EXECUTIVE SUMMARY

On May 24, 2018, Blue Orca Capital ("Blue Orca") published on-line its opinions about Samsonite International S.A. (the "Company" and together with its consolidated subsidiaries, the "Group") (the "Short-Seller Report"). Blue Orca is a short-seller and, as is common with short-sellers, it aims to undermine shareholders' confidence in the Company and its management because it benefits from a fall in the Company's share price. The Company considers the Short-Seller Report to be one-sided and misleading, and that the conclusions drawn in the report about the Company and its financial results are incorrect. Accordingly, the Company urges shareholders to treat the Short-Seller Report with caution.

In summary, the Company responds to the Short-Seller Report as follows:

- Samsonite is the global leader in the large and rapidly growing global luggage, backpack and business bags market, which is forecasted to grow at a compound annual rate of approximately 6.6% from 2017 to 2022[1]. The Company, fueled by strong organic growth in its core business and strategic brand acquisitions, has transformed from a predominantly single brand, single category, largely wholesale company with net sales of US$1.2 billion in 2010 to the multi-brand, multi-category and multi-channel business it is today, with net sales of US$3.5 billion in 2017.

- The Company has delivered organic[2] topline growth at a compounded growth rate over the last five years of 9.4%, excluding the impacts of foreign currency. This strong and stable revenue profile coupled with the Company's efficient cost base is expected to continue generating significant free cash flow. In addition to strong organic growth, the Company has increased shareholder returns through its disciplined approach to acquisitions that will complement its core strategy. In 2016, Samsonite's transformational acquisition of Tumi Holdings Inc. ("Tumi"), a leading global premium lifestyle brand, expanded Samsonite's presence in the premium segment and positioned Samsonite as a global travel lifestyle leader.

[1] Source: Euromonitor.

[2] Excludes the impact of brand acquisitions.

- The Company's Board of Directors (the "Board") stands behind its track record of transparency and corporate governance. The Company's consolidated financial statements and the related notes to the consolidated financial statements, which are audited by KPMG LLP ("KPMG"), are in accordance with International Financial Reporting Standards ("IFRS"). KPMG has not withdrawn its audit opinions, or indicated that it intends to withdraw its audit opinions, in respect of the Company's previous consolidated financial statements.

INTRODUCTION

On May 24, 2018, Blue Orca published on-line its Short-Seller Report. On the same day, the Company published a clarification announcement, which provided the Company's initial reaction to the Short-Seller Report (the "May 24 Announcement"). On May 28, 2018, the Company published an announcement about the trading halt in the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 9:00 a.m. on Monday, May 28, 2018 pending the release of an announcement which may constitute inside information of the Company. On May 31, 2018, the Company published an announcement (the "Change of CEO Announcement") regarding the change in the Chief Executive Officer ("CEO") of the Company and stated that an application will be made to the Stock Exchange for the resumption of trading in the Company's shares with effect from 9:00 a.m. on June 1, 2018, Hong Kong time. Terms defined in the May 24 Announcement have the same meanings when used in this announcement.

This announcement supplements the May 24 Announcement and the Change of CEO Announcement and provides the Company's considered response to the Short-Seller Report. The Company has reached its views following a detailed assessment by its Board, Chief Financial Officer and General Counsel, with the assistance of the Company's external professional advisers, of the matters raised in the Short-Seller Report.

BACKGROUND

The Short-Seller Report claims that the Company's valuation is higher than what Blue Orca believes it should be. To support that claim, Blue Orca makes various allegations against the Company and its former CEO, Mr. Ramesh Tainwala (the "Allegations").

Before the Company responds to the Allegations, the Company believes it is important for shareholders to take into account the following, important points of background and context.

First and foremost, the Company wishes to underline at the outset that the Company and its Directors are committed to full compliance with the principles of good corporate governance and transparency. The Allegations are an attack on the Company's adherence to those principles, and it is important for shareholders to understand the underlying motives, so that they can make an informed assessment about each Allegation, and the Company's response to the Allegations, with the benefit of publicly available information about the Company.

The Short-Seller Report (by its own admission) contains Blue Orca's opinions. Blue Orca is a short-seller whose interests may not be aligned with those of the Company's shareholders in general. Indeed, as a short-seller, Blue Orca stands to profit from any fall in the Company's share price. The Short-Seller Report confirms that Blue Orca and/or those behind it have "*a short interest in Samsonite's stock and therefore stand to realize significant gains in the event that the* *price of such instrument declines*". It is in Blue Orca's interests to undermine shareholders' confidence in the Company and its management, and to harm the Company's reputation. The Company believes that this is precisely what the Short-Seller Report aims to achieve, without regard for the risk of misleading shareholders and the market.

The Company considers the claims in the Short-Seller Report to be one-sided and misleading, and that the conclusions drawn in the report about the Company and its financial results are incorrect. The Company's consolidated financial statements are prepared in accordance with applicable laws and IFRS, and they are audited by KPMG. KPMG has not withdrawn its audit opinions, or indicated that it intends to withdraw its audit opinions, in respect of the Company's previous consolidated financial statements.

The Company takes this matter very seriously, and urges shareholders to treat the Short-Seller Report and the Allegations with caution. As the Company indicated in the May 24 Announcement, the Company reserves its right to take legal action against Blue Orca and/or those responsible for the Short-Seller Report.

COMPANY'S RESPONSES TO THE ALLEGATIONS IN THE REPORT

(1) Purchase Price Accounting and Treatment of Payables for Tumi acquisition

The Company's purchase accounting associated with the acquisitions of Tumi Holdings Inc. ("Tumi") and Tumi's distribution network in certain markets in Asia was done in conformity with IFRS, and operating margins accurately reflect the consistent and strong underlying performance of the Company's business.

Purchase accounting under IFRS requires the acquirer to recognize the identifiable assets acquired and liabilities assumed at their acquisition-date fair values. The Company engaged third party valuation specialists to assist management in the determination of the fair value ascribed to Tumi's identified intangible assets, such as trade names and customer relationships.

(A) Treatment of Tumi Payables

Allegation

The Short-Seller Report claims that the Company used purchase price accounting to inflate Tumi's balance of payables to US$139 million, when Tumi's reported payables was US$39 million as of June 26, 2016 before it was acquired by the Company on August 1, 2016, and by doing that the Company could artificially inflate margins by not recording at least US$61.6 million in subsequent expenses through its income statement.

Response

In making this claim, the Short-Seller Report is not comparing like with like. It appears to confuse "trade payables" of US$39 million as of June 26, 2016 with "trade and other payables", which included trade payables as well as accrued expenses and other payables, adding up to US$138.7 million as of August 1, 2016. In this regard, Tumi reported total current liabilities (which include accrued expenses and other payables) of US$83.7 million less short-term debt of US$4.4 million in its 10Q filing for the quarter ended June 26, 2016.

In addition to trade payables, accrued expenses and other payables, "trade and other payables" of US$138.7 million include the following current liabilities: (i) deal fees and other payables incurred by Tumi relating to the Tumi acquisition (of approximately US$22 million), and (ii) payables resulting from the settlement of Tumi employee equity awards upon acquisition (of approximately US$19 million). These payables were subsequently settled with cash and were not (as alleged in the Short-Seller Report) reversed in order to inflate margins.

Furthermore, in conjunction with the acquisition, Tumi's accounting policies under US GAAP were aligned with the Company's IFRS accounting policies. As a result of the conversion exercise, it was determined that prepaid income taxes of approximately US$14 million had been reported as an offset to income tax payable in Tumi's historical financial statements. Such amounts were reclassified to current assets in the purchase price allocation, thereby increasing "trade and other payables".

(B) Acquired Tumi Inventory

Allegation

In 2017, the Company acquired Tumi's distribution network in South Korea, Hong Kong, Macau, China, Indonesia and Thailand for US$64.9 million. The Short-Seller Report alleges that the Company's purchase price accounting reported US$9.4 million in the value of acquired inventory, but the value of that inventory should instead have been US$46.4 million. The Short-Seller Report further alleges that the Company marked down the value of acquired inventory by 80% at the time of purchase so that, post-acquisition, the Company was able to sell the acquired inventory at a higher margin, thus inflating EBITDA and operating profits by at least US$37 million.

Response

The Company wishes to explain that the reported US$9.4 million represented the fair value of inventory acquired, in accordance with IFRS, and was determined based on the price paid by the distributor to acquire the underlying inventory, with appropriate adjustments, consistent with the Company's policies, for certain products that were slow-moving.

The Company recognized appropriate margins on the sell-through of the acquired inventory, which had been recorded at fair value under IFRS. As indicated in the Company's 2017 annual results presentation, the Company's margins attributable to the Tumi business increased from 2016 to 2017 due to a decrease in retail and e-commerce promotional activity, sourcing synergies realized and lower freight-in costs.

The alleged inventory value of US$46.4 million which is referred to in the Short-Seller Report has been extrapolated by applying a number of inaccurate assumptions:

- Per the table at page 10 of the Short Seller Report, the figures which are purportedly for "Tumi Asian Segment" are in fact global Tumi results, not just Tumi Asia results.
- There are additional Tumi distributors within the Asian region outside of South Korea, China, Hong Kong, Macau, Thailand and Indonesia, that the Company did not acquire, that also purchase Tumi inventory.
- Net sales attributable to Tumi Japan, which accounted for a notable portion of Tumi's Asia sales, were sold directly to customers in the market and not through a distributor.

- The application of the Company's breakdown of revenue by country in Asia, as set out at page 12 of the Short-Seller Report, to extrapolate Tumi's own sales, is misleading – the figures in that table are largely comprised of organic Samsonite activity. The composition of sales by entity for the Company's total business does not align with the country contribution from Tumi and it is inaccurate to apply these percentages to the Tumi business.

(2) <u>Inventory Disclosure</u>

Writing down inventory to net realizable value is usual market practice for consumer products businesses and is required by IFRS, as product lines move through their lifecycle and new product lines are introduced.

Allegation

The Short-Seller Report claims that as of December 31, 2016 and 2017, the Company carried 46% and 42%, respectively, of its finished goods at net realizable value (*i.e.*, below cost and at a price where the Company did not expect to make a profit), such that the Company might be holding a growing balance of stale inventory.

Response

The Company's accounting for any write-down of inventory to net realizable value is applied in accordance with the Company's policy and IFRS. It appears that the Short-Seller Report has reached the views summarized above as a result of footnote 9 to the Company's 2017 consolidated financial statements ("Footnote 9"), which shows a carrying amount of inventories at net realizable value of US$229.6 million and US$180.8 million, as of December 31, 2017 and December 31, 2016, respectively.

While the carrying value of inventory recorded on the consolidated statement of financial position and in Footnote 9 was appropriate at December 31, 2017, the Company has determined that the footnote disclosure required under IFRS, of inventory carried at *net realizable value* in Footnote 9, was incorrect. The correct values that should have been disclosed were US$100.9 million and US$73.6 million at December 31, 2017 and December 31, 2016, respectively.

The Company has concluded and its auditors, KPMG, agree, that the incorrect disclosures in Footnote 9 do not impact the Company's reported profitability, consolidated statement of financial position, consolidated statement of cash flow and consolidated income statement. The Company has discussed the matter with KPMG, and plans to include appropriate corrections, which the Company in any event believes are immaterial to the consolidated financial statements taken as a whole, to the relevant disclosure in its 2018 Interim Report.

For further clarity, as disclosed in footnote 3 to the Company's 2017 annual consolidated financial statements, the Company notes that inventories are carried at the lower of cost or net realizable value and cost is calculated using the weighted average method. Net realizable value represents management's best estimate of selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as expenses in the period the write-down or loss occurs.

(3) Manual Journal Entries

Allegation

The Short-Seller Report alleges that the Company's Boston-based auditor, KPMG, identified revenue recognition policies across jurisdictions as a key audit matter in financial year 2016 and 2017. Specifically, KPMG indicated that it "reviewed" "manual journal entries" recording transactions to revenue at year end.

Response

The Company's revenues are properly recorded and recognized, predominantly through the Company's automated enterprise financial reporting systems. Those systems are automated and generally require no manual entries. Manual journal entries are utilized, typically in conjunction with achieving appropriate sales cut-off at period end and accounting for sales returns and allowances, to recognize revenue in conformity with IFRS.

Such manual journal entries are common practice for consumer products businesses, are made in accordance with IFRS accounting standards, and are subject to review and approval in the normal course of operations, and it is not uncommon for auditors to perform procedures related to manual journal entries.

(4) Continuing Connected transactions

The Company's continuing connected transactions are entered into in the ordinary and usual course of business of the Group and are either on normal commercial terms or on terms that are no less favorable than available to or from independent third parties. The Company has robust internal procedures to ensure that all continuing connected transactions have been identified, and appropriately reviewed and disclosed, in accordance with the Stock Exchange's Listing Rules ("Listing Rules").

Notably, the Company's Annual Report for the year ended December 31, 2017 disclosed continuing connected transactions between the Company's joint venture in India, Samsonite South Asia Private Limited ("Samsonite India") and companies owned by the former CEO and members of his family. Those transactions have been subject to annual review and approval by the Company's disinterested Directors and Independent Non-Executive Directors in compliance with the requirements of the Listing Rules, and review by the Company's internal audit department. This process, which is performed in connection with the publication of the Company's financial results, helps to ensure that all continuing connected transactions have been identified and properly disclosed. In addition, the Company's external auditors, KPMG, perform annual limited assurance procedures related to continuing connected transactions.

Abhishri Packaging Private Limited ("Abhishri")

Allegation

The Company sells raw materials to, and buys raw materials and finished goods from Abhishri, an Indian manufacturer of hard-side luggage products owned by the former CEO's family. In addition, Abhishri's statutory Indian accounts indicate that it has unhedged foreign currency obligations to Chinese firms which also supply to the Company. The Short-Seller Report alleges that those balances imply that Abhishri is also buying products from the Company's Chinese suppliers, and those ties indicate that Abhishri is an intermediary between the Company and its Chinese suppliers.

Response

Abhishri does not function in any way as a "middle man" for the Group as the Short-Seller Report alleges. Finished goods and raw materials acquired by Group entities from Abhishri are not first bought by Abhishri from suppliers in China and then resold by Abhishri to the Company. If Abhishri and the Company source from the same Chinese supplier(s), they are sourcing raw materials or components used respectively by Abhishri or the Company to manufacture products. Samsonite decides to source finished goods from Abhishri where the landed cost of goods from Abhishri is lower than the landed cost of goods from other manufacturers and, thus, makes commercial sense.

Bagzone Lifestyles Private Limited ("Bagzone")

Allegation

The Company sells luggage to Bagzone, a Tainwala family-owned retailer which sells the Company's products in India. The Company disclosed US$11.2 million in sales to Bagzone during the year ended December 31, 2017. The Short-Seller Report alleges that Bagzone disclosed a receivable balance which exceeded sales and may therefore be struggling to pay the Company for the luggage that it buys, and raises the question of why a connected party retailer gets better credit terms than other distributors, as well as the possibility that Bagzone may be hoarding increasing amounts of stock.

Response

Samsonite India does not itself own or operate retail outlets because of restrictions imposed under Indian law with respect to ownership of retail businesses by non-Indian nationals. Samsonite India has therefore appointed Bagzone as a preferred dealer of Samsonite, American Tourister and other products in India, pursuant to a memorandum of understanding ("MOU"). This is fully disclosed in the Company's 2017 Annual Report.

Bagzone's transactions with Samsonite India were conducted on normal commercial terms and the profit margin available to Bagzone was within a range reasonably consistent with that made by other third-party dealers in India to whom Samsonite India sells products. Bagzone receives a normal operating margin of 54.0% on the retail price for products it buys from Samsonite India. Under the MOU, the margin available to Bagzone will be reviewed and amended as necessary from time to time to ensure that the maximum profit margin for products bought from Samsonite India does not exceed 3.0% of its net sales of such products. Samsonite India followed the pricing terms in the MOU for all transactions during the year ended December 31, 2017.

As to the allegation of channel stuffing in relation to Bagzone, as of December 31, 2017 Samsonite and related products were sold in 85 exclusive Samsonite retail outlets and 46 multi-brand outlet stores operated by Bagzone across India. Across these 131 retail outlets, Bagzone's receivables balance was approximately US$13 million. Bagzone's receivables are largely reflective of the additional investment that Bagzone has incurred in establishing and growing the footprint of its retail distribution network in India, which has resulted in increased sales for Samsonite India.

At the end of 2016, Bagzone's receivables balance was approximately US$12 million, and during the year ended December 31, 2017 Samsonite India invoiced US$11 million and collected US$10 million. The historically consistent levels of Bagzone's receivables, across a large number of retail outlets, reflect appropriate sell through on the Bagzone distribution channel.

(5) Administrative matters

Allegation

The Short-Seller Report alleges various matters that it regards as internal control failures relating to Samsonite India and the Company's business in India generally. The Short-Seller alleges that Samsonite India had three auditors in three years, and that was a "red flag".

The Short-Seller Report arrives at inaccurate conclusions regarding other administrative matters, including email accounts associated with the Company. The Short-Seller Report alleges that Samsonite India's registered email address in its Indian statutory filings is not an @samsonite account but a Gmail account (Samsonite.secretarial@gmail.com).

The Short-Seller Report further alleges that there is evidence of undisclosed connections to entities controlled and owned by the Tainwala family which, according to online corporate record databases such as Informix.In, are registered using an @samsonite.com email address. For example, in 2017, the Company's former CEO and his family formed Parikrama Logistics and Holdings LLP ("Parikrama"), which according to the Indian Ministry of Corporate Affairs, state that Parikrama's registered contact email is sharad.thanvi@samsonite.com. But the Company has not disclosed Parikrama or any transactions with that entity.

Response

BSR & Co LLP ("BSR")

The Short-Seller Report misinterprets the implications of statutory auditor changes at Samsonite India. Importantly, the Group reporting auditor in India, BSR, which is an affiliate of KPMG, has remained unchanged since the Company's IPO. BSR reports the results of its audit to KPMG in the US as part of its consolidated audit of the Group.

BSR served both as Samsonite India's statutory auditors and the Company's group reporting auditors in India through the year ended December 31, 2015. Since then, BSR has continued to serve as the Company's *group reporting auditors*. In that role, BSR performs an audit of Samsonite India's results and group reporting package and reports to KPMG, the Company's external auditors (the group reporting audit forms part of the Company's consolidated audit). There was *no change of auditor* as it relates to the Company's audited results, contrary to the suggestion in the Short-Seller Report.

Samsonite India, *separate* from the Group, files statutory accounts in India which are subject to audit. Following the December 31, 2015 year end, BSR indicated to the Company that it was nearing the end of its permissible term (of 10 years) as statutory auditors under applicable mandatory auditor rotation provisions in the Indian Companies Act, 2013. Samsonite India accordingly appointed Spark & Co, Chartered Accountants, as its *own* statutory auditors. When the Spark & Co. engagement partner subsequently left Spark & Co. to join Kangude & Waghmode, Chartered Accountants, Samsonite India also moved its statutory audit work to this firm in order to maintain continuity with the engagement partner.

Email-related allegations

The Gmail account listed with the Indian Ministry of Corporate Affairs for Samsonite India was created for administrative convenience to allow multiple users within the Company to access that account, and Samsonite India has transitioned that account in the government database to a Samsonite email address.

The Short-Seller Report speculates about potential connections, but without evidential support. The Group does not have any transactions with Parikrama.

Further, the Company has checked the Indian Ministry of Corporate Affairs' ("IMCA") registry and notes that the alleged Samsonite email addresses are not presently listed in the IMCA's registry against the companies that the Short-Seller Report alleges are controlled and owned by the Tainwala family. The Company notes that the Short-Seller Report acknowledges that the IMCA's database does not now reflect Samsonite email addresses for these companies.

Shareholders and potential shareholders should exercise caution when dealing in the Company's shares.

By Order of the Board
SAMSONITE INTERNATIONAL S.A.
John B. Livingston
Joint Company Secretary

Mansfield, Massachusetts, May 31, 2018

As of the date of this announcement, the Executive Director is Kyle Francis Gendreau, the Non-Executive Directors are Timothy Charles Parker, Tom Korbas and Jerome Squire Griffith and the Independent Non-Executive Directors are Paul Kenneth Etchells, Keith Hamill, Bruce Hardy McLain (Hardy) and Ying Yeh.

This announcement contains forward-looking statements. All statements other than statements of historical fact contained in this announcement, including, without limitation, the discussions of the Company's business strategies and expectations concerning future operations, margins, profitability, liquidity and capital resources, the future development of the Company's industry and the future development of the general economy of the Company's key markets and any statements preceded by, followed by or that include words and expressions such as "expect", "seek", "believe", "plan", "intend", "estimate", "project", "anticipate", "may", "will", "would" and "could" or similar words or statements, as they relate to the Company or its management, are intended to identify forward-looking statements. These statements are subject to certain known and unknown risks, uncertainties and assumptions, which may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Accordingly, you should not place undue reliance on any forward-looking information. Subject to the requirements of applicable laws, rules and regulations, the Company does not have any and undertakes no obligation to update or otherwise revise the forward-looking statements in this announcement, whether as a result of new information, future events or developments or otherwise. In this announcement, statements of or references to the Company's intentions are made as of the date of this announcement. Any such intentions may change in light of future developments. All forward-looking statements contained in this a are qualified by reference to the cautionary statements set out above.