Samsonite International S.A.

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R.C.S. Luxembourg: B 159.469
(Incorporated under the laws of Luxembourg with limited liability)

Consolidated financial statements for the year ended December 31, 2017

Directors' Report

Principal Activities

Samsonite International S.A. (the "Company"), together with its consolidated subsidiaries (the "Group"), is principally engaged in the design, manufacture, sourcing and distribution of luggage, business and computer bags, women's bags, outdoor and casual bags, travel accessories and slim protective cases for personal electronic devices throughout the world, primarily under the *Samsonite*®, *Tumi*®, *American Tourister*®, *Speck*®, *High Sierra*®, *Gregory*®, *Lipault*®, *Kamiliant*®, *Hartmann*® and *eBags*® brand names as well as other owned and licensed brand names.

Before 2012, the Group's business was primarily centered on the *Samsonite* brand, focused largely on travel luggage, and distributed principally through the wholesale channel. Over the last several years, the Group has strategically diversified its business in order to reduce its reliance on any single brand, market, channel of distribution or product category, and in line with the goal of not just building a bigger business, but a stronger one as well. Today, the Group has a more balanced business, built around a portfolio of diverse yet complementary brands and offering its customers a competitive mix of products sold through multiple distribution channels. The Company believes this diversification considerably strengthens its resilience and provides a platform for sustained growth.

The Group sells its products through a variety of wholesale distribution channels, through its company-operated retail stores and through e-commerce. The principal wholesale distribution customers of the Group are department and specialty retail stores, mass merchants and warehouse clubs. The Group sells its products in North America, Asia, Europe and Latin America.

1. Review of the financial year 2017

Net Sales

Excluding foreign currency effects, net sales increased by US$656.1 million, or 23.3%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. US Dollar reported net sales increased by US$680.4 million, or 24.2%, to US$3,490.9 million for the year ended December 31, 2017. Excluding amounts attributable to the Tumi business, net sales on a constant currency basis increased by US$268.8 million, or 10.6%, and US Dollar reported net sales increased by US$291.7 million, or 11.5%. Further excluding the contribution from eBags, net sales on a constant currency basis increased by US$160.3 million, or 6.3%, and US Dollar reported net sales increased by US$183.3 million, or 7.2%.

Performance on a constant currency basis by region was as follows:

- North America — net sales increased by US$363.8 million, or 35.4%;
- Asia — net sales increased by US$164.1 million, or 16.0%;
- Europe — net sales increased by US$103.7 million, or 16.8%; and
- Latin America — net sales increased by US$24.3 million, or 18.6%.

Excluding amounts attributable to the Tumi business, performance on a constant currency basis by region was as follows:

- North America — net sales increased by US$136.3 million, or 16.2% (by US$27.9 million, or 3.3%, further excluding the contribution from eBags);
- Asia — net sales increased by US$46.5 million, or 4.8%;
- Europe — net sales increased by US$61.5 million, or 10.5%; and
- Latin America — net sales increased by US$24.3 million, or 18.6%.

The following table sets forth a breakdown of net sales by region for the years ended December 31, 2017 and December 31, 2016, both in absolute terms and as a percentage of total net sales.

	Year ended December 31,					
	2017		2016		2017 vs 2016	
	US$'000	**Percentage of net sales**	US$'000	Percentage of net sales	Percentage increase (decrease)	Percentage increase (decrease) excl. foreign currency effects[2]
Net sales by region[1]:						
North America	**1,392,378**	**39.9%**	1,027,172	36.6%	35.6%	35.4%
Asia	**1,196,189**	**34.3%**	1,028,578	36.6%	16.3%	16.0%
Europe	**734,794**	**21.0%**	615,301	21.9%	19.4%	16.8%
Latin America	**158,465**	**4.5%**	130,559	4.6%	21.4%	18.6%
Corporate	**9,095**	**0.3%**	8,887	0.3%	2.3%	2.3%
Net sales	**3,490,921**	**100.0%**	2,810,497	100.0%	24.2%	23.3%

Notes

(1) The geographic location of the Group's net sales generally reflects the country from which its products were sold and does not necessarily indicate the country in which its end consumers were actually located.

(2) Results stated on a constant currency basis, a non-IFRS measure, are calculated by applying the average exchange rate of the previous year to current year local currency results.

Directors' Report

Brands

The following table sets forth a breakdown of net sales by brand for the years ended December 31, 2017 and December 31, 2016, both in absolute terms and as a percentage of total net sales.

	Year ended December 31,				2017 vs 2016	
	2017		2016			
	US$'000	**Percentage of net sales**	US$'000	Percentage of net sales	Percentage increase (decrease)	Percentage increase (decrease) excl. foreign currency effects[6]
Net sales by brand:						
Samsonite	**1,654,938**	**47.4%**	1,548,849	55.1%	6.8%	6.1%
Tumi	**678,079**[1]	**19.4%**	275,779[2]	9.8%	145.9%	145.3%
American Tourister	**573,135**	**16.4%**	531,528	18.9%	7.8%	6.5%
Speck	**141,689**	**4.1%**	135,449	4.8%	4.6%	4.6%
High Sierra	**73,776**	**2.1%**	82,282	2.9%	(10.3)%	(10.6)%
Gregory	**51,822**	**1.5%**	44,217	1.6%	17.2%	18.6%
Kamiliant	**37,437**	**1.1%**	21,869	0.8%	71.2%	68.4%
Lipault	**31,674**	**0.9%**	27,607	1.0%	14.7%	12.9%
Hartmann	**27,182**	**0.8%**	26,067	0.9%	4.3%	4.0%
eBags[4]	**26,397**	**0.7%**	—	—%	*nm*	*nm*
Other[5]	**194,792**	**5.6%**	116,850[3]	4.2%	66.7%	86.2%
Net sales	**3,490,921**	**100.0%**	2,810,497	100.0%	24.2%	23.3%

Notes

(1) Includes US$14.0 million in net sales of Tumi products made through Rolling Luggage and other Samsonite multi-brand retail stores and e-commerce sites.

(2) Net sales of the *Tumi* brand in 2016 reflects amounts recognized subsequent to the acquisition completed on August 1, 2016.

(3) Includes US$6.6 million in net sales of Tumi products made through Rolling Luggage and other Samsonite multi-brand retail stores.

(4) Includes net sales of products sold carrying the *eBags* brand since the May 5, 2017 acquisition date. Excludes other brands sold through the eBags website.

(5) Other includes certain other brands owned by the Group, such as *Saxoline, Xtrem* and *Secret*, as well as third party brands sold through the Rolling Luggage and Chic Accent retail stores and the eBags website.

(6) Results stated on a constant currency basis, a non-IFRS measure, are calculated by applying the average exchange rate of the previous year to current year local currency results.

nm Not meaningful due to the acquisition of eBags on May 5, 2017.

Excluding foreign currency effects, net sales of the *Samsonite* brand increased by US$94.9 million, or 6.1%, for the year ended December 31, 2017 compared to the previous year. US Dollar reported net sales of the *Samsonite* brand increased by US$106.1 million, or 6.8%, with all regions reporting constant currency net sales increases of the brand: North America (+5.1%), Asia (+3.0%), Europe (+9.0%) and Latin America (+21.0%). All regions reported US Dollar reported net sales increases of the *Samsonite* brand: North America (+5.3%), Asia (+3.0%), Europe (+11.2%) and Latin America (+22.3%). *Samsonite* comprised 47.4% of the net sales of the Group during 2017 compared to 55.1% in 2016 reflecting the continued diversification of the Group's brand portfolio with the addition of the *Tumi* brand, which was acquired on August 1, 2016, as well as increased contributions from the Group's other brands. Excluding foreign currency effects, net sales of the *American Tourister* brand increased by US$34.5 million, or 6.5%, for the year ended December 31, 2017 compared to the previous year. US Dollar reported net sales of the *American Tourister* brand increased by US$41.6 million, or 7.8%, driven by increases in all four regions.

Net sales of the *Tumi* brand amounted to US$678.1 million for the year ended December 31, 2017. Net sales of the *Tumi* brand amounted to US$325.7 million for the period from August 1, 2017 to December 31, 2017 compared to US$275.8 million recorded during the same period in the previous year following the acquisition of Tumi on August 1, 2016. This represented an increase of US$47.3 million, or 17.2%, on a constant currency basis and an increase of US$49.9 million, or 18.1%, on a US Dollar reported basis.

Excluding foreign currency effects, net sales of the *Speck* brand increased by US$6.2 million, or 4.6%, for the year ended December 31, 2017 compared to the year ended December 31, 2016 due to expanded distribution and new product launches in conjunction with new electronic device introductions. On a constant currency basis, net sales of the *High Sierra* brand decreased by 10.6% for the year ended December 31, 2017 compared to the year ended December 31, 2016 due to decreases in North America and Europe. Excluding foreign currency effects, net sales of the *Gregory* brand increased by US$8.2 million, or 18.6%, for the year ended December 31, 2017 compared to the previous year, with strong sales growth in North America, Asia and Europe. On a constant currency basis, net sales of the *Lipault* brand increased by US$3.6 million, or 12.9%, for the year ended December 31, 2017 compared to the year ended December 31, 2016, driven by further geographical expansion in Asia and increased sales in North America. Excluding foreign currency effects, net sales of the *Hartmann* brand increased by US$1.0 million, or 4.0%, for the year ended December 31, 2017 compared to the previous year, driven by expansion of the brand in Asia. For the year ended December 31, 2017, *Kamiliant*, a value-conscious, entry level brand, recorded US Dollar reported net sales of US$37.4 million, compared to US$21.9 million during 2016. The *eBags* brand, which was acquired on May 5, 2017, contributed net sales of US$26.4 million.

Product Categories

The Group sells products in four principal product categories: travel, business, casual and accessories. The travel category is the Group's largest category and has been its traditional strength. The following table sets forth a breakdown of net sales by product category for the years ended December 31, 2017 and December 31, 2016, both in absolute terms and as a percentage of total net sales.

	Year ended December 31,					
	2017		2016		2017 vs 2016	
	US$'000	**Percentage of net sales**	US$'000	Percentage of net sales	Percentage increase (decrease)	Percentage increase (decrease) excl. foreign currency effects[3]
Net sales by product category:						
Travel	**2,120,145**	**60.7%**	1,817,778	64.7%	16.6%	15.8%
Business[1]	**610,445**	**17.5%**	378,605	13.5%	61.2%	60.4%
Casual	**365,456**	**10.5%**	301,930	10.7%	21.0%	20.1%
Accessories[2]	**335,918**	**9.6%**	268,670	9.6%	25.0%	23.8%
Other	**58,957**	**1.7%**	43,514	1.5%	35.5%	34.8%
Net sales	**3,490,921**	**100.0%**	2,810,497	100.0%	24.2%	23.3%

Notes

(1) Includes tablet and laptop cases.

(2) Includes protective phone cases.

(3) Results stated on a constant currency basis, a non-IFRS measure, are calculated by applying the average exchange rate of the previous year to current year local currency results.

Excluding foreign currency effects, net sales in the travel product category increased by US$287.6 million, or 15.8%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. US Dollar reported net sales in the travel product category increased by US$302.4 million, or 16.6%. Excluding amounts attributable to the Tumi business, net sales in the travel product category increased by 8.4% on a constant currency basis and by 9.3% on a US Dollar reported basis. Country-specific product designs and locally relevant marketing strategies continued to be the key factors contributing to the Group's success in the travel category.

Excluding foreign currency effects, net sales in the business product category increased by US$228.7 million, or 60.4%. US Dollar reported net sales in the business product category increased by US$231.8 million, or 61.2%. Excluding amounts attributable to the Tumi business, net sales in the business product category increased by 7.8% on a constant currency basis and by 8.7% on a US Dollar reported basis driven by strong growth in North America and Europe.

Excluding foreign currency effects, net sales in the casual product category increased by US$60.7 million, or 20.1%. US Dollar reported net sales in the casual product category increased by US$63.5 million, or 21.0%. Excluding amounts attributable to the Tumi business, net sales in the casual product category increased by 26.6% on a constant currency basis and by 27.5% on a US Dollar reported basis driven by the addition of eBags and an increase in net sales of the *Gregory* and *Samsonite* brands.

Excluding foreign currency effects, net sales in the accessories product category increased by US$63.9 million, or 23.8%. US Dollar reported net sales in the accessories product category increased by US$67.2 million, or 25.0%, largely due to the addition of the Tumi business. Excluding amounts attributable to the Tumi business, net sales in the accessories product category increased by 11.2% on a constant currency basis and by 12.6% on a US Dollar reported basis due to US$19.4 million in net sales of accessories sold through the eBags business since the date of acquisition.

Total non-travel category net sales increased by US$368.5 million, or 37.1%, on a constant currency basis and US Dollar reported net sales increased by US$378.1 million, or 38.1%, to US$1,370.8 million (representing 39.3% of net sales) for the year ended December 31, 2017 from US$992.7 million (representing 35.3% of net sales) for the year ended December 31, 2016. Excluding amounts attributable to the Tumi business, total non-travel category net sales increased by US$125.5 million, or 15.1%, on a constant currency basis and US Dollar reported net sales increased by US$134.0 million, or 16.1%, driven by the addition of eBags.

Distribution Channels

The Group sells products through two primary distribution channels: wholesale and direct-to-consumer. The following table sets forth a breakdown of net sales by distribution channel for the years ended December 31, 2017 and December 31, 2016, both in absolute terms and as a percentage of total net sales.

	Year ended December 31,				2017 vs 2016	
	2017		2016			
	US$'000	**Percentage of net sales**	US$'000	Percentage of net sales	Percentage increase (decrease)	Percentage increase (decrease) excl. foreign currency effects[3]
Net sales by distribution channel:						
Wholesale	**2,314,298**	**66.3%**	2,067,287	73.6%	11.9%	11.3%
Direct-to-consumer[1]	**1,167,532**	**33.4%**	734,323	26.1%	59.0%	57.4%
Other[2]	**9,091**	**0.3%**	8,887	0.3%	2.3%	2.3%
Net sales	**3,490,921**	**100.0%**	2,810,497	100.0%	24.2%	23.3%

Notes

(1) "Direct-to-consumer" includes bricks-and-mortar retail and direct-to-consumer e-commerce.

(2) "Other" primarily consists of licensing income.

(3) Results stated on a constant currency basis, a non-IFRS measure, are calculated by applying the average exchange rate of the previous year to current year local currency results.

Excluding foreign currency effects, net sales in the wholesale channel increased by US$234.2 million, or 11.3%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. US Dollar reported net sales in the wholesale channel increased by US$247.0 million, or 11.9%. Excluding amounts attributable to the Tumi business, net sales in the wholesale channel increased by US$84.1 million, or 4.3%, on a constant currency basis and by US$96.5 million, or 4.9%, on a US Dollar reported basis.

Wholesale channel net sales attributable to the Tumi business amounted to US$266.1 million for the year ended December 31, 2017. Wholesale channel net sales attributable to the Tumi business amounted to US$127.0 million for the period from August 1, 2017 to December 31, 2017 compared to US$115.5 million recorded during the same period in the previous year following the acquisition of Tumi on August 1, 2016. This represented an increase of US$10.6 million, or 9.2%, on a constant currency basis and an increase of US$11.5 million, or 10.0%, on a US Dollar reported basis.

Total direct-to-consumer net sales increased by US$421.7 million, or 57.4%, on a constant currency basis and US Dollar reported net sales increased by US$433.2 million, or 59.0%, to US$1,167.5 million (representing 33.4% of net sales) for the year ended December 31, 2017 from US$734.3 million (representing 26.1% of net sales) for the year ended December 31, 2016. Excluding amounts attributable to the Tumi business, total direct-to-consumer net sales increased by US$184.5 million, or 32.1%, on a constant currency basis and US Dollar reported net sales increased by US$195.0 million, or 33.9%. Further excluding the contribution from eBags, total direct-to-consumer net sales increased by US$70.3 million, or 12.2%, on a constant currency basis and US Dollar reported net sales increased by US$80.9 million, or 14.1%.

The increase in direct-to-consumer net sales was driven by growth in direct-to-consumer e-commerce, including the acquisition of eBags in May 2017, the addition of 127 net new company-operated retail stores during 2017 (including 30 Tumi retail stores that were acquired in conjunction with the distributor buybacks in Asia) and the contributions for the full-year 2017 from 285 net new retail stores added during 2016, including 211 net new company-operated Tumi retail stores. On a same store, constant currency basis, retail net sales increased by 3.8% year-on-year. This was driven by constant currency same store net sales growth of 1.6%, 6.2%, 13.0% and 0.4% in North America, Europe, Latin America and Asia, respectively. The Group's same store analysis includes existing company-operated retail stores which have been open for at least 12 months before the end of the relevant financial period (including Tumi retail stores for the comparable period since August 1, 2016). The 57.4% year-on-year constant currency net sales increase in the direct-to-consumer channel reflects the Group's strategy of investing resources to support the targeted growth of its bricks-and-mortar retail and direct-to-consumer e-commerce business, including through acquisitions.

Total direct-to-consumer net sales attributable to the Tumi business amounted to US$397.4 million for the year ended December 31, 2017. Total direct-to-consumer net sales attributable to the Tumi business amounted to US$190.4 million for the period from August 1, 2017 to December 31, 2017 compared to US$159.2 million recorded during the same period in the previous year following the acquisition of Tumi on August 1, 2016. This represented an increase of US$29.8 million, or 18.7%, on a constant currency basis and an increase of US$31.1 million, or 19.6%, on a US Dollar reported basis. On a same store constant currency basis, retail net sales attributable to the Tumi business increased by 1.9% for the period from August 1, 2017 to December 31, 2017 compared to the same period in the previous year.

During the year ended December 31, 2017, US$488.0 million, or 14.0%, of the Group's US Dollar reported net sales were derived from e-commerce (comprising US$287.7 million of net sales from the Group's direct-to-consumer e-commerce business, which are included within the direct-to-consumer channel, and US$200.3 million of net sales to e-retailers, which are included within the wholesale channel). This represented a year-on-year increase of US$218.2 million, or 82.1%, on a constant currency basis. US Dollar reported net sales increased by US$222.3 million, or 83.7%, compared to the year ended December 31, 2016, when e-commerce comprised US$265.7 million, or 9.5%, of the Group's net sales. Total direct-to-consumer e-commerce net sales, including net sales of US$114.1 million through eBags, which was acquired on May 5, 2017, increased by US$165.7 million, or 138.0%, on a constant currency basis and US Dollar reported net sales increased by US$167.7 million, or 139.7%, to US$287.7 million (representing 8.2% of net sales) for the year ended December 31, 2017 from US$120.0 million (representing 4.3% of net sales) for the year ended December 31, 2016. Excluding amounts attributable to the Tumi business, net sales in the Group's direct-to-consumer e-commerce business increased by US$136.0 million, or 139.2%, on a constant currency basis and by US$137.9 million, or 141.2%, on a US Dollar reported basis. Further excluding the contribution from eBags, total direct-to-consumer e-commerce net sales increased by US$21.9 million, or 22.4%, on a constant currency basis and US Dollar reported net sales increased by US$23.8 million, or 24.3%.

Regions

North America

Excluding foreign currency effects, the Group's net sales in North America increased by US$363.8 million, or 35.4%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. US Dollar reported net sales for the North American region increased by US$365.2 million, or 35.6%. Excluding amounts attributable to the Tumi business in North America, net sales on a constant currency basis increased by US$136.3 million, or 16.2%, and US Dollar reported net sales increased by US$137.3 million, or 16.3%, year-on-year due to the addition of eBags and growth of the *Samsonite, American Tourister* and *Speck* brands, partially offset by reduced net sales of the *High Sierra* and *Hartmann* brands. Net sales through the eBags e-commerce website amounted to US$114.1 million from May 5, 2017, the date of acquisition, through December 31, 2017. Excluding amounts attributable to the Tumi business and the contribution from eBags in North America, net sales on a constant currency basis increased by US$27.9 million, or 3.3%, and US Dollar reported net sales increased by US$28.9 million, or 3.5%.

Brands

Excluding foreign currency effects, net sales of the *Samsonite* brand increased by US$26.7 million, or 5.1%, and US Dollar reported net sales increased by US$27.5 million, or 5.3%, for the year ended December 31, 2017 compared to the prior year. Net sales of the *American Tourister* brand increased by US$6.1 million, or 7.3%, on a constant currency basis and US Dollar reported net sales increased by US$6.2 million, or 7.4%.

Net sales of the *Tumi* brand in North America amounted to US$416.7 million for the year ended December 31, 2017. This amount included US$3.3 million in net sales of Tumi products made through the eBags e-commerce site and Samsonite multi-brand retail stores in North America. Net sales of the *Tumi* brand amounted to US$200.9 million for the period from August 1, 2017 to December 31, 2017 compared to US$185.4 million recorded during the same period in the previous year following the acquisition of Tumi on August 1, 2016. This represented an increase of US$15.0 million, or 8.1%, on a constant currency basis and an increase of US$15.4 million, or 8.3%, on a US Dollar reported basis.

Net sales of the *Speck* brand increased by US$6.3 million, or 4.7%, on both a constant currency and US Dollar reported basis due to expanded distribution and new product launches in conjunction with new electronic device introductions. US Dollar reported net sales of the *Hartmann* brand amounted to US$13.4 million, a constant currency and US Dollar reported decrease of 5.0%, due to shifts in product offerings at certain company-operated retail stores. Net sales of the *Gregory* brand increased by US$1.5 million, or 9.9%, on both a constant currency and US Dollar reported basis for the year ended December 31, 2017 compared to the year ended December 31, 2016. Net sales of the *Lipault* brand were US$4.5 million for the year ended December 31, 2017 compared to US$3.5 million for the year ended December 31, 2016, an increase of US$1.0 million, or 27.3%. The *eBags* brand, which was acquired on May 5, 2017, contributed net sales of US$26.4 million. Excluding foreign currency effects, net sales of the *High Sierra* brand decreased by US$7.5 million, or 11.1%, while US Dollar reported net sales decreased by US$7.4 million, or 11.0%, due to lower business-to-business sales and the non-recurrence of a backpack promotional program with certain wholesale club customers that ran during 2016.

Product Categories

Excluding foreign currency effects, net sales in the travel product category increased by US$163.9 million, or 25.5%, and US Dollar reported net sales increased by US$164.9 million, or 25.7%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. Excluding amounts attributable to the Tumi business, net sales in the travel product category increased by US$60.5 million, or 10.9%, on a constant currency basis and by US$61.2 million, or 11.0%, on a US Dollar reported basis. Excluding foreign currency effects, net sales in the business product category increased by US$114.8 million, or 91.6%, and US Dollar reported net sales increased by US$115.0 million, or 91.8%, year-on-year. Excluding amounts attributable to the Tumi business, net sales in the business product category increased by US$11.6 million, or 16.2%, on a constant currency basis and by US$11.6 million, or 16.3%, on a US Dollar reported basis. Net sales in the casual product category increased by US$32.6 million, or 30.7%, on a constant currency basis and US Dollar reported net sales increased by US$32.7 million, or 30.8%, year-on-year. Excluding amounts attributable to the Tumi business, net sales in the casual product category increased by US$40.5 million, or 45.0%, on a constant currency basis and by US$40.6 million or 45.1%, on a US Dollar reported basis. Net sales in the accessories product category increased by US$50.2 million, or 33.0%, on a constant currency basis and US Dollar reported net sales increased by US$50.3 million, or 33.0%, due to the addition of the Tumi business in 2016 and the acquisition of eBags. Excluding amounts attributable to the Tumi business, net sales in the accessories product category increased by US$22.2 million, or 18.0%, on a constant currency basis and by US$22.2 million, or 18.0%, on a US Dollar reported basis.

Total non-travel category net sales in North America increased by US$199.9 million, or 51.9%, on a constant currency basis and US Dollar reported net sales increased by US$200.3 million, or 52.0%, to US$585.4 million (representing 42.0% of net sales) for the year ended December 31, 2017 from US$385.1 million (representing 37.5% of net sales) for the year ended December 31, 2016. Excluding amounts attributable to the Tumi business, total non-travel category net sales increased by US$75.9 million, or 26.5%, on a constant currency basis and US Dollar reported net sales increased by US$76.1 million, or 26.6%, driven by the addition of eBags.

Distribution Channels
Excluding foreign currency effects, net sales in the wholesale channel increased by US$73.0 million, or 10.0%, and US Dollar reported net sales increased by US$73.8 million, or 10.1%, for the year ended December 31, 2017 compared to the year ended December 31, 2016 driven by the addition of the Tumi business and strong shipments to e-commerce retailers and other key customers. Excluding amounts attributable to the Tumi business, net sales in the wholesale channel increased by US$12.2 million, or 1.8%, on a constant currency basis and by US$12.9 million, or 1.9%, on a US Dollar reported basis.

Wholesale channel net sales attributable to the Tumi business in North America amounted to US$112.9 million for the year ended December 31, 2017. Wholesale channel net sales attributable to the Tumi business in North America amounted to US$55.5 million for the period from August 1, 2017 to December 31, 2017 compared to US$52.0 million recorded during the same period in the previous year following the acquisition of Tumi on August 1, 2016. This represented an increase of US$3.5 million, or 6.7%, on a constant currency basis and an increase of US$3.5 million, or 6.8%, on a US Dollar reported basis.

Total direct-to-consumer net sales increased by US$290.8 million, or 99.1%, on a constant currency basis and US Dollar reported net sales increased by US$291.4 million, or 99.4%, to US$584.7 million for the year ended December 31, 2017 from US$293.3 million for the year ended December 31, 2016. Excluding amounts attributable to the Tumi business, total direct-to-consumer net sales increased by US$124.2 million, or 77.7%, on a constant currency basis and US Dollar reported net sales increased by US$124.4 million, or 77.8%. Further excluding the contribution from eBags, total direct-to-consumer net sales increased by US$10.0 million, or 6.3%, on a constant currency basis and US Dollar reported net sales increased by US$10.3 million, or 6.4%, as the Group focuses on expanding its online presence and targeted new retail openings.

The increase in direct-to-consumer net sales was driven by growth in direct-to-consumer e-commerce, including the acquisition of eBags in May 2017, the addition of 12 net new company-operated retail stores during 2017 and the contributions for the full-year 2017 from 171 net new retail stores added during 2016, including 166 net new company-operated Tumi retail stores. Additionally, there was the positive impact of a 1.6% increase in same store net sales, on a constant currency basis. North America's same store analysis includes existing company-operated retail stores which have been open for at least 12 months before the end of the relevant financial period (including Tumi retail stores for the comparable period since August 1, 2016).

Total direct-to-consumer net sales attributable to the Tumi business in North America amounted to US$300.5 million for the year ended December 31, 2017. Total direct-to-consumer net sales attributable to the Tumi business in North America amounted to US$143.1 million for the period from August 1, 2017 to December 31, 2017 compared to US$133.5 million recorded during the same period in the previous year following the acquisition of Tumi on August 1, 2016. This represented an increase of US$9.2 million, or 6.9%, on a constant currency basis and an increase of US$9.7 million, or 7.2%, on a US Dollar reported basis. On a same store constant currency basis, retail net sales attributable to the Tumi business increased by 0.6% for the period from August 1, 2017 to December 31, 2017 compared to the same period in the previous year.

During the year ended December 31, 2017, US$291.3 million, or 20.9%, of North America's US Dollar reported net sales were derived from e-commerce (comprising US$198.5 million of net sales from North America's direct-to-consumer e-commerce business, which are included within the direct-to-consumer channel, and US$92.8 million of net sales to e-retailers, which are included within the wholesale channel). This represented an increase of US$161.7 million, or 124.9%, on a constant currency basis. US Dollar reported net sales increased by US$161.8 million, or 125.0%, compared to the year ended December 31, 2016, when e-commerce comprised US$129.5 million, or 12.6%, of North America's net sales. Total direct-to-consumer e-commerce net sales, including net sales of US$114.1 million through eBags, increased by US$143.5 million, or 261.4%, on a constant currency basis and US Dollar reported net sales increased by US$143.6 million, or 261.5%, to US$198.5 million for the year ended December 31, 2017 from US$54.9 million for the year ended December 31, 2016. Excluding amounts attributable to the Tumi business, net sales in North America's direct-to-consumer e-commerce business increased by US$118.0 million, or 337.4%, on a constant currency basis and by US$118.0 million, or 337.5%, on a US Dollar reported basis. Further excluding the contribution from eBags, total direct-to-consumer e-commerce net sales increased by US$3.8 million, or 11.0%, on a constant currency basis and US Dollar reported net sales increased by US$3.9 million, or 11.0%.

Countries

The following table sets forth a breakdown of net sales within the North American region by geographic location for the years ended December 31, 2017 and December 31, 2016, both in absolute terms and as a percentage of total regional net sales.

	Year ended December 31,					
	2017		2016		2017 vs 2016	
	US$'000	**Percentage of net sales**	US$'000	Percentage of net sales	Percentage increase (decrease)	Percentage increase (decrease) excl. foreign currency effects[2]
Net sales by geographic location[1]:						
United States	**1,325,503**	**95.2%**	976,120	95.0%	35.8%	35.8%
Canada	**66,875**	**4.8%**	51,052	5.0%	31.0%	28.3%
Net sales	**1,392,378**	**100.0%**	1,027,172	100.0%	35.6%	35.4%

Notes

(1) The geographic location of the Group's net sales generally reflects the country from which its products were sold and does not necessarily indicate the country in which its end consumers were actually located.

(2) Results stated on a constant currency basis, a non-IFRS measure, are calculated by applying the average exchange rate of the previous year to current year local currency results.

For the year ended December 31, 2017, US Dollar reported net sales in the United States increased by US$349.4 million, or 35.8%, year-on-year driven by the full-year impact of the Tumi business, the acquisition of eBags during the period and organic growth. Excluding amounts attributable to the Tumi business, US Dollar reported net sales in the United States increased by US$132.3 million, or 16.6%, driven primarily by the acquisition of eBags and increased sales of the *Samsonite, American Tourister* and *Speck* brands, partly offset by a decrease in sales of the *High Sierra* brand. Excluding amounts attributable to the Tumi business and the contribution from eBags, US Dollar reported net sales in the United States increased by US$23.8 million, or 3.0%. Excluding foreign currency effects, net sales in Canada increased by 28.3% year-on-year due primarily to the addition of the Tumi business. Excluding amounts attributable to the Tumi business in Canada, net sales on a constant currency basis increased by US$4.1 million, or 9.4%, while net sales on a US Dollar reported basis increased by US$5.0 million, or 11.6%.

Asia

Excluding foreign currency effects, the Group's net sales in Asia increased by US$164.1 million, or 16.0%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. US Dollar reported net sales for the region increased by US$167.6 million, or 16.3%. Excluding amounts attributable to the Tumi business in Asia, net sales on a constant currency basis increased by US$46.5 million, or 4.8%, and US Dollar reported net sales increased by US$50.6 million, or 5.2%.

Brands

On a constant currency basis, net sales of the *Samsonite* brand increased by US$15.8 million, or 3.0%, from the previous year. US Dollar reported net sales of the *Samsonite* brand increased by US$15.7 million, or 3.0%, from the previous year driven by new product launches. Excluding foreign currency effects, net sales of the *American Tourister* brand in the Asia region increased by US$5.1 million, or 1.4%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. US Dollar reported net sales of the *American Tourister* brand increased by US$9.2 million, or 2.6%, as the performance of the *American Tourister* brand in the Asia region continued to show signs of improvement helped by positive initial customer response to new product launches. For the year ended December 31, 2017, constant currency net sales of *Kamiliant*, a value-conscious, entry level brand, increased by US$14.9 million, or 68.3%, and US Dollar reported net sales increased by US$15.5 million, or 71.1%, year-on-year.

Net sales of the *Tumi* brand in Asia amounted to US$175.8 million for the year ended December 31, 2017. Net sales of the *Tumi* brand amounted to US$84.5 million for the period from August 1, 2017 to December 31, 2017 compared to US$58.8 million recorded during the same period in the previous year following the acquisition of Tumi on August 1, 2016. This represented an increase of US$26.4 million, or 44.9%, on a constant currency basis and an increase of US$25.8 million, or 43.8%, on a US Dollar reported basis, including the positive impact of assuming direct control of the wholesale and retail distribution of Tumi products in certain markets in Asia.

Net sales of the *High Sierra* brand amounted to US$12.0 million in Asia during the year ended December 31, 2017, an increase of US$0.2 million, or 1.8%, from the previous year on a constant currency basis, while US Dollar reported net sales increased by US$0.4 million, or 3.3%, from the previous year. Net sales of the *Hartmann* brand amounted to US$10.8 million in Asia during the year ended December 31, 2017, an increase of US$2.2 million, or 25.2%, from the previous year on a constant currency basis, and US Dollar reported net sales increased by US$2.1 million, or 24.6%, from the previous year as the brand continued to gain traction in the region. Net sales of the *Gregory* brand in Asia amounted to US$31.0 million during the year ended December 31, 2017, an increase of US$5.7 million, or 22.0%, year-on-year on a constant currency basis, and an increase of US$5.1 million, or 19.4%, from the previous year on a US Dollar reported basis as the Group's sales of the *Gregory* brand further penetrated the markets of Japan and South Korea. Net sales of the *Lipault* brand amounted to US$13.3 million in Asia during the year ended December 31, 2017 compared to net sales of US$10.4 million during the year ended December 31, 2016, a US Dollar reported increase of US$2.9 million, or 27.9%, as the brand continued to successfully expand throughout the region.

Product Categories

Excluding foreign currency effects, net sales in the travel product category increased by US$53.2 million, or 7.8%, and US Dollar reported net sales increased by US$56.7 million, or 8.3%, for the year ended December 31, 2017 compared to the previous year. Excluding amounts attributable to the Tumi business, net sales in the travel product category increased by US$29.5 million, or 4.4%, on a constant currency basis and by US$33.2 million, or 5.0%, on a US Dollar reported basis. Excluding foreign currency effects, net sales in the business product category increased by US$76.9 million, or 46.9%, and US Dollar reported net sales increased by US$76.4 million, or 46.6%, for the year ended December 31, 2017 compared to the previous year driven by the addition of the Tumi business. Excluding amounts attributable to the Tumi business, net sales in the business product category decreased by US$1.1 million, or 0.8%, on a constant currency basis and by US$1.1 million, or 0.8%, on a US Dollar reported basis. Net sales in the casual product category increased by US$10.2 million, or 7.3%, on a constant currency basis, and US Dollar reported net sales increased by US$10.6 million, or 7.6%, driven by increased net sales of the *Gregory* brand. Excluding amounts attributable to the Tumi business, net sales in the casual product category increased by US$13.8 million, or 10.5%, on a constant currency basis and by US$14.1 million, or 10.7%, on a US Dollar reported basis. Net sales in the accessories product category increased by US$9.7 million, or 27.5%, on a constant currency basis, and US Dollar reported net sales increased by US$9.9 million, or 27.9%, compared to the previous year. Excluding amounts attributable to the Tumi business, net sales in the accessories product category increased by US$0.1 million, or 0.3%, on a constant currency basis and by US$0.2 million, or 0.8%, on a US Dollar reported basis.

Total non-travel category net sales in Asia increased by US$110.9 million, or 31.9%, on a constant currency basis and US Dollar reported net sales increased by US$110.9 million, or 31.9%, to US$458.0 million (representing 38.3% of net sales) for the year ended December 31, 2017 from US$347.1 million (representing 33.7% of net sales) for the year ended December 31, 2016. Excluding amounts attributable to the Tumi business, total non-travel category net sales increased by US$17.0 million, or 5.6%, on a constant currency basis and US Dollar reported net sales increased by US$17.4 million, or 5.8%.

Distribution Channels
Excluding foreign currency effects, net sales in the wholesale channel increased by US$103.2 million, or 12.1%, and US Dollar reported net sales increased by US$107.2 million, or 12.5%, for the year ended December 31, 2017 compared to the previous year. Excluding amounts attributable to the Tumi business, net sales in the wholesale channel increased by US$30.3 million, or 3.8%, on a constant currency basis and by US$34.2 million, or 4.2%, on a US Dollar reported basis.

Total direct-to-consumer net sales increased by US$60.9 million, or 35.3%, on a constant currency basis year-on-year. US Dollar reported net sales in the direct-to-consumer channel increased by US$60.4 million, or 35.0%, to US$233.2 million for the year ended December 31, 2017 from US$172.8 million for the year ended December 31, 2016. Excluding amounts attributable to the Tumi business, total direct-to-consumer net sales increased by US$16.3 million, or 9.9%, on a constant currency basis and US Dollar reported net sales increased by US$16.4 million, or 10.0%.

The increase in direct-to-consumer net sales was driven by strong growth in direct-to-consumer e-commerce net sales, the addition of 54 net new company-operated retail stores during 2017 (including 30 Tumi retail stores that were acquired in conjunction with the distributor buybacks in Asia), contributions for the full-year 2017 from 46 net new retail stores added during 2016, including 20 net new company-operated Tumi retail stores and the positive impact of a 0.4% increase in same store net sales. Asia's same store analysis includes existing company-operated retail stores which have been open for at least 12 months before the end of the relevant financial period (including Tumi retail stores for the comparable period since August 1, 2016).

During the year ended December 31, 2017, US$115.4 million, or 9.6%, of Asia's US Dollar reported net sales were derived from e-commerce (comprising US$56.5 million of net sales from Asia's direct-to-consumer e-commerce business, which are included within the direct-to-consumer channel, and US$58.9 million of net sales to e-retailers, which are included within the wholesale channel). This represented an increase of US$31.4 million, or 37.6%, on a constant currency basis. US Dollar reported net sales increased by US$32.0 million, or 38.3%, compared to the year ended December 31, 2016, when e-commerce comprised US$83.4 million, or 8.1%, of Asia's net sales. Total direct-to-consumer e-commerce net sales increased by US$11.8 million, or 26.5%, on a constant currency basis and US Dollar reported net sales increased by US$12.2 million, or 27.5%, to US$56.5 million for the year ended December 31, 2017 from US$44.3 million for the year ended December 31, 2016. Excluding amounts attributable to the Tumi business, net sales in Asia's direct-to-consumer e-commerce business increased by US$10.1 million, or 23.2%, on a constant currency basis and by US$10.6 million, or 24.3%, on a US Dollar reported basis.

Countries/Territories

The following table sets forth a breakdown of net sales within the Asian region by geographic location for the years ended December 31, 2017 and December 31, 2016, both in absolute terms and as a percentage of total regional net sales.

	Year ended December 31,					
	2017		2016		2017 vs 2016	
	US$'000	**Percentage of net sales**	US$'000	Percentage of net sales	Percentage increase (decrease)	Percentage increase (decrease) excl. foreign currency effects[3]
Net sales by geographic location[1]:						
China	**276,929**	**23.1%**	251,729	24.5%	10.0%	11.9%
South Korea	**211,594**	**17.7%**	178,176	17.3%	18.8%	15.7%
Japan	**172,861**	**14.5%**	135,041	13.1%	28.0%	32.0%
Hong Kong[2]	**145,890**	**12.2%**	109,093	10.6%	33.7%	34.0%
India	**138,223**	**11.6%**	128,056	12.4%	7.9%	4.6%
Australia	**71,908**	**6.0%**	67,959	6.6%	5.8%	2.5%
Other	**178,784**	**14.9%**	158,524	15.5%	12.8%	11.5%
Net sales	**1,196,189**	**100.0%**	1,028,578	100.0%	16.3%	16.0%

Notes

(1) The geographic location of the Group's net sales generally reflects the country/territory from which its products were sold and does not necessarily indicate the country/territory in which its end consumers were actually located.

(2) Net sales reported for Hong Kong include net sales made in Macau. 2017 included sales to Tumi distributors in other Asian markets.

(3) Results stated on a constant currency basis, a non-IFRS measure, are calculated by applying the average exchange rate of the previous year to current year local currency results.

During the year ended December 31, 2017, net sales attributable to the Tumi business within Asia were recorded in Japan, South Korea (where the Group assumed direct control of the distribution of the *Tumi* brand on January 1, 2017), Hong Kong, Macau and China (where the Group assumed direct control of the distribution of the *Tumi* brand on April 1, 2017) and Indonesia and Thailand (where the Group assumed direct control of distribution on May 1, 2017). Net sales recorded in Hong Kong also included sales to third party distributors of the *Tumi* brand in various markets in the Asia region, excluding Japan, South Korea, Hong Kong, Macau, China, Indonesia and Thailand (from the respective dates of assuming direct control of distribution) where the Group has direct control of the distribution of the *Tumi* brand. Japan experienced strong constant currency growth of 32.0% year-on-year. Excluding amounts attributable to the Tumi business in Japan, net sales on a constant currency basis increased by 12.4%, and net sales on a US Dollar reported basis increased by 9.0% year-on-year driven by the *Gregory, American Tourister* and *Samsonite* brands. Excluding foreign currency effects, net sales in China increased by 11.9% year-on-year. Excluding amounts attributable to the Tumi business in China, net sales on a constant currency basis increased by 7.2%, while net sales on a US Dollar reported basis increased by 5.3% year-on-year driven by increased sales of the *Samsonite* and *American Tourister* brands.

Net sales in South Korea increased by 15.7% on a constant currency basis year-on-year. Excluding amounts attributable to the Tumi business in South Korea, net sales on a constant currency basis decreased by 2.5%, while net sales on a US Dollar reported basis increased by 0.1% year-on-year due to fewer shoppers visiting from China and weak consumer sentiment. On a constant currency basis, net sales in India increased by 4.6% for the year ended December 31, 2017 compared to the previous year. US Dollar reported net sales in India increased by US$10.2 million, or 7.9%, despite a temporary disruption during the year due to the Indian government's introduction of a new Goods and Services Tax that took effect in the third quarter of 2017. On a constant currency basis, net sales in Hong Kong increased by 34.0% year-on-year, driven by net sales attributable to the Tumi business (which included sales to Tumi distributors in certain other Asian markets). Excluding amounts attributable to the Tumi business, net sales in Hong Kong increased by 1.5% and net sales on a US Dollar reported basis increased by 1.1%. Australia reported constant currency net sales growth of 2.5%, driven by increased sales of the *Samsonite* brand.

Europe

Excluding foreign currency effects, the Group's net sales in Europe increased by US$103.7 million, or 16.8%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. US Dollar reported net sales for the region increased by US$119.5 million, or 19.4%. Excluding amounts attributable to the Tumi business in Europe, net sales on a constant currency basis increased by US$61.5 million, or 10.5%, and US Dollar reported net sales increased by US$75.7 million, or 13.0%.

Brands

Excluding foreign currency effects, net sales of the *Samsonite* brand increased by US$40.6 million, or 9.0%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. US Dollar reported net sales of the *Samsonite* brand increased by US$50.4 million, or 11.2%. Net sales of the *American Tourister* brand increased by US$19.0 million, or 24.8%, on a constant currency basis, and US Dollar reported net sales increased by US$21.9 million, or 28.5%, compared to the prior year as the Group continued to focus on driving growth of the brand and increasing its presence in Europe.

Net sales of the *Tumi* brand in Europe amounted to US$85.0 million for the year ended December 31, 2017. This amount included US$10.7 million in net sales of Tumi products made through Rolling Luggage and other Samsonite multi-brand retail stores in Europe. Net sales of the *Tumi* brand amounted to US$40.1 million for the period from August 1, 2017 to December 31, 2017 compared to US$30.5 million recorded during the same period in the previous year following the acquisition of Tumi on August 1, 2016. This represented an increase of US$6.8 million, or 22.2%, on a constant currency basis and an increase of US$9.6 million, or 31.3%, on a US Dollar reported basis.

Excluding foreign currency effects, net sales of the *Lipault* brand decreased by US$0.2 million, or 1.4%, year-on-year and US Dollar reported net sales increased by US$0.2 million, or 1.5%, to US$13.9 million due to 2017 being a transitional year to reposition the brand as a women's accessories brand that also sells luggage. On a constant currency basis, net sales of the *Gregory* brand increased by 30.3% and US Dollar reported net sales increased by 31.9% to US$4.5 million. Excluding foreign currency effects, net sales of the *Hartmann* brand decreased by US$0.4 million, or 13.6%, while US Dollar reported net sales decreased by 9.9% to US$2.9 million during the year ended December 31, 2017 compared to the year ended December 31, 2016. Net sales of the *High Sierra* brand decreased by US$1.8 million, or 94.8%, on a constant currency basis, and US Dollar reported net sales decreased by US$1.8 million, or 94.4%, compared to the prior year driven by the Group's decision to promote backpacks under its other brand names within the region.

Product Categories

Excluding foreign currency effects, net sales in the travel product category increased by US$57.4 million, or 13.2%, and US Dollar reported net sales increased by US$66.4 million, or 15.3%, for the year ended December 31, 2017 compared to the year ended December 31, 2016 driven by the addition of the Tumi business and increased sales of hard-side products under the *Samsonite* and *American Tourister* brands. Excluding amounts attributable to the Tumi business, net sales in the travel product category increased by US$40.1 million, or 9.6%, on a constant currency basis and by US$48.9 million, or 11.6%, on a US Dollar reported basis. Excluding foreign currency effects, net sales in the business product category increased by US$34.5 million, or 45.1%, and US Dollar reported net sales increased by US$37.7 million, or 49.3%, year-on-year, due to the addition of the Tumi business and successful new business product introductions for female consumers under the *Samsonite* brand. Excluding amounts attributable to the Tumi business, net sales in the business product category increased by US$9.2 million, or 13.9%, on a constant currency basis and by US$11.3 million, or 17.0% on a US Dollar reported basis. Excluding foreign currency effects, net sales in the casual product category increased by US$7.4 million, or 29.9%, year-on-year, while US Dollar reported net sales increased by US$8.1 million, or 32.9%, mainly attributable to increases from the *Samsonite*, *American Tourister* and *Gregory* brands. Excluding amounts attributable to the Tumi business, net sales in the casual product category increased by US$8.0 million, or 36.6%, on a constant currency basis and by US$8.9 million, or 40.4%, on a US Dollar reported basis due to the factors noted above. Net sales in the accessories product category increased by US$5.0 million, or 8.3%, on a constant currency basis and US Dollar reported net sales increased by US$7.4 million, or 12.3%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. Excluding amounts attributable to the Tumi business, net sales in the accessories product category increased by 8.2% on a constant currency basis and by US$6.8 million, or 12.0%, on a US Dollar reported basis.

Total non-travel category net sales in Europe increased by US$46.3 million, or 25.5%, on a constant currency basis and US Dollar reported net sales increased by US$53.1 million, or 29.3%, to US$234.4 million (representing 31.9% of net sales) for the year ended December 31, 2017 from US$181.3 million (representing 29.5% of net sales) for the year ended December 31, 2016. Excluding amounts attributable to the Tumi business, total non-travel category net sales increased by US$21.3 million, or 13.0%, on a constant currency basis and US Dollar reported net sales increased by US$26.8 million, or 16.3%.

Distribution Channels

Excluding foreign currency effects, net sales in the wholesale channel increased by US$48.1 million, or 12.1%, for the year ended December 31, 2017 compared to the previous year, and US Dollar reported net sales increased by US$55.1 million, or 13.8%, year-on-year. Excluding amounts attributable to the Tumi business, net sales in the wholesale channel increased by US$31.8 million, or 8.3%, on a constant currency basis and by US$38.5 million, or 10.0%, on a US Dollar reported basis.

Total direct-to-consumer net sales increased by US$55.6 million, or 25.6%, on a constant currency basis, and US Dollar reported net sales increased by US$64.4 million, or 29.7%, to US$281.1 million for the year ended December 31, 2017 from US$216.7 million for the year ended December 31, 2016. Excluding amounts attributable to the Tumi business, total direct-to-consumer net sales increased by US$29.6 million, or 14.8%, on a constant currency basis and US Dollar reported net sales increased by US$37.3 million, or 18.6%.

The increase in direct-to-consumer net sales was driven by growth in direct-to-consumer e-commerce, the addition of 32 net new company-operated retail stores during 2017 and the contributions for the full-year 2017 from 31 net new retail stores added during 2016, including 25 net new company-operated Tumi retail stores. On a same store, constant currency basis, retail net sales increased by 6.2%. Europe's same store analysis includes existing company-operated retail stores which have been open for at least 12 months before the end of the relevant financial period (including Tumi retail stores for the comparable period since August 1, 2016).

During the year ended December 31, 2017, US$80.5 million, or 11.0%, of Europe's US Dollar reported net sales were derived from e-commerce (comprising US$32.0 million of net sales from Europe's direct-to-consumer e-commerce business, which are included within the direct-to-consumer channel, and US$48.5 million of net sales to e-retailers, which are included within the wholesale channel). This represented an increase of US$24.6 million, or 46.9%, on a constant currency basis. US Dollar reported net sales increased by US$28.0 million, or 53.3%, compared to the year ended December 31, 2016, when e-commerce comprised US$52.5 million, or 8.5%, of Europe's net sales. Total direct-to-consumer e-commerce net sales, increased by US$9.9 million, or 48.0%, on a constant currency basis and US Dollar reported net sales increased by US$11.4 million, or 55.5%, to US$32.0 million for the year ended December 31, 2017 from US$20.6 million for the year ended December 31, 2016. Excluding amounts attributable to the Tumi business, net sales in Europe's direct-to-consumer e-commerce business increased by US$7.4 million, or 39.1%, on a constant currency basis and by US$8.8 million, or 46.3%, on a US Dollar reported basis.

Countries

The following table sets forth a breakdown of net sales within the European region by geographic location for the years ended December 31, 2017 and December 31, 2016, both in absolute terms and as a percentage of total regional net sales.

	Year ended December 31,					
	2017		2016		2017 vs 2016	
	US$'000	**Percentage of net sales**	US$'000	Percentage of net sales	Percentage increase (decrease)	Percentage increase (decrease) excl. foreign currency effects[4]
Net sales by geographic location[1]:						
Germany	**124,896**	**17.0%**	110,883	18.0%	12.6%	10.1%
Belgium[2]	**108,789**	**14.8%**	73,475	11.9%	48.1%	42.4%
Italy	**78,597**	**10.7%**	68,740	11.2%	14.3%	11.0%
France	**75,293**	**10.2%**	66,997	10.9%	12.4%	9.2%
United Kingdom[3]	**74,281**	**10.1%**	68,521	11.1%	8.4%	12.2%
Spain	**56,243**	**7.7%**	47,599	7.7%	18.2%	15.0%
Russia	**45,008**	**6.1%**	30,608	5.0%	47.0%	29.6%
Other	**171,687**	**23.4%**	148,478	24.2%	15.6%	15.5%
Net sales	**734,794**	**100.0%**	615,301	100.0%	19.4%	16.8%

Notes

(1) The geographic location of the Group's net sales generally reflects the country from which its products were sold and does not necessarily indicate the country in which its end consumers were actually located.

(2) Net sales in Belgium were US$21.2 million and US$19.7 million for the years ended December 31, 2017 and December 31, 2016, an increase of US$1.5 million, or 7.4%, respectively. Remaining sales consisted of direct shipments to distributors, customers and agents in other countries.

(3) Net sales reported for the United Kingdom include net sales made in Ireland.

(4) Results stated on a constant currency basis, a non-IFRS measure, are calculated by applying the average exchange rate of the previous year to current year local currency results.

On a constant currency basis, nearly all countries within the European region achieved strong net sales growth during the year ended December 31, 2017 compared to the prior year, including Germany (+10.1%), the United Kingdom (+12.2%) (net sales reported for the United Kingdom include net sales made in Ireland), Spain (+15.0%), Italy (+11.0%) and France (+9.2%). Excluding amounts attributable to the Tumi business, these same countries achieved the following constant currency net sales growth over the prior year: Germany (+7.7%), the United Kingdom (+2.1%, where net sales declined by 6.6% year-on-year in the second half of 2017 due to the negative impact on consumer sentiment from uncertainties surrounding Brexit), Spain (+10.1%), Italy (+8.7%) and France (+2.8%). On a US Dollar reported net sales basis, these same countries achieved the following growth over the prior year when excluding net sales attributable to the Tumi business: Germany (+10.6%), the United Kingdom (+1.4%), Spain (+13.2%), Italy (+12.0%), and France (+5.8%). The Group continued to experience year-on-year constant currency net sales growth in the emerging markets of Russia (+29.6%) and Turkey (+42.9%).

Latin America

Excluding foreign currency effects, the Group's net sales in Latin America increased by US$24.3 million, or 18.6%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. US Dollar reported net sales for the region increased by US$27.9 million, or 21.4%.

Brands

Excluding foreign currency effects, net sales of the *Samsonite* brand increased by US$11.8 million, or 21.0%, and US Dollar reported net sales increased by US$12.5 million, or 22.3%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. The Group continued to expand the geographical distribution of the *American Tourister* brand in Latin America, where the brand recorded net sales growth of US$4.3 million, or 34.9%, on a constant currency basis, and US Dollar reported net sales increased by US$4.3 million, or 35.6%, year-on-year. Sales of women's handbags under the *Secret* brand name enjoyed continued success, with constant currency net sales growth of 7.5% and US Dollar reported net sales growth of 11.9% to US$16.4 million in 2017. Excluding foreign currency effects, net sales of the local brands *Saxoline* and *Xtrem* increased by 11.1% and 12.6%, respectively, and US Dollar reported net sales increased by 15.9% and 17.5%, respectively.

Product Categories

Excluding foreign currency effects, net sales in the travel product category increased by US$13.1 million, or 21.8%, for the year ended December 31, 2017 compared to the prior year. US Dollar reported net sales increased by US$14.4 million, or 23.9%. Excluding foreign currency effects, net sales in the business product category increased by US$2.5 million, or 19.8%, and US Dollar reported net sales increased by US$2.7 million, or 21.6%. Net sales in the casual product category increased by US$10.6 million, or 33.7%, on a constant currency basis. US Dollar reported net sales increased by US$12.1 million, or 38.4%. Net sales in the accessories product category decreased by US$1.1 million, or 5.1%, on a constant currency basis and US Dollar reported net sales decreased by US$0.3 million, or 1.5%, for the year ended December 31, 2017 compared to the year ended December 31, 2016.

Total non-travel category net sales in Latin America increased by US$11.2 million, or 15.9%, on a constant currency basis and US Dollar reported net sales increased by US$13.5 million, or 19.2%, to US$83.9 million (representing 52.9% of net sales) for the year ended December 31, 2017 from US$70.4 million (representing 53.9% of net sales) for the year ended December 31, 2016.

Distribution Channels

Excluding foreign currency effects, net sales in the wholesale channel increased by US$9.9 million, or 12.5%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. US Dollar reported net sales increased by US$10.9 million, or 13.8%, year-on-year. Net sales in the direct-to-consumer channel increased by US$14.4 million, or 28.1%, on a constant currency basis, and US Dollar reported net sales increased by US$17.0 million, or 33.0%. This increase was primarily driven by the addition of 29 net new company-operated retail stores during 2017 as well as the contributions for the full-year 2017 from 37 net new retail stores added during 2016. On a same store, constant currency basis, retail net sales increased by 13.0%. Direct-to-consumer e-commerce sites were launched in Chile, Brazil and Mexico during 2017.

Countries

The following table sets forth a breakdown of net sales within the Latin American region by geographic location for the years ended December 31, 2017 and December 31, 2016, both in absolute terms and as a percentage of total regional net sales.

	Year ended December 31,					
	2017		2016		2017 vs 2016	
	US$'000	**Percentage of net sales**	US$'000	Percentage of net sales	Percentage increase (decrease)	Percentage increase (decrease) excl. foreign currency effects[3]
Net sales by geographic location[1]:						
Chile	**68,402**	**43.2%**	59,518	45.6%	14.9%	9.7%
Mexico	**47,160**	**29.8%**	41,422	31.7%	13.9%	15.2%
Brazil	**20,015**	**12.6%**	12,425	9.5%	61.1%	52.0%
Other[2]	**22,888**	**14.4%**	17,194	13.2%	33.1%	33.4%
Net sales	**158,465**	**100.0%**	130,559	100.0%	21.4%	18.6%

Notes

(1) The geographic location of the Group's net sales generally reflects the country from which its products were sold and does not necessarily indicate the country in which its end consumers were actually located.

(2) The net sales figure for the "Other" geographic location includes sales in Argentina, Colombia, Panama, Peru and sales to third party distributors outside of Brazil.

(3) Results stated on a constant currency basis, a non-IFRS measure, are calculated by applying the average exchange rate of the previous year to current year local currency results.

Excluding foreign currency effects, net sales in Chile increased by 9.7% year-on-year. US Dollar reported net sales for Chile increased by US$8.9 million, or 14.9%, driven by increased net sales of the local brands *Saxoline* and *Xtrem* and the women's handbag brand *Secret*. Excluding foreign currency effects, net sales in Mexico increased by 15.2% for the year ended December 31, 2017 compared to the prior year, and US Dollar reported net sales increased by US$5.7 million, or 13.9%, primarily driven by the *Samsonite*, *American Tourister* and *Xtrem* brands. Net sales in Brazil increased by 52.0% on a constant currency basis and US Dollar reported net sales increased by 61.1% driven by continued retail expansion and strong comparative sales year-on-year. The Group continues to invest in Brazil, where the Group's presence has historically been under-represented, to drive future net sales growth and gain market share. Excluding foreign currency effects, net sales in Argentina, which is included in Other in the table above, increased by 199.8% for the year ended December 31, 2017 compared to the prior year, and US Dollar reported net sales increased by US$2.1 million, or 168.3%, to US$3.4 million from US$1.3 million.

Cost of Sales and Gross Profit

Cost of sales increased by US$241.4 million, or 18.7%, to US$1,531.0 million (representing 43.9% of net sales) for the year ended December 31, 2017 from US$1,289.5 million (representing 45.9% of net sales) for the year ended December 31, 2016.

Gross profit increased by US$439.0 million, or 28.9%, to US$1,960.0 million for the year ended December 31, 2017 from US$1,521.0 million for the year ended December 31, 2016. Gross profit margin increased to 56.1% for the year ended December 31, 2017 from 54.1% for the year ended December 31, 2016. Gross profit of the Tumi business amounted to US$441.9 million for the year ended December 31, 2017. Gross profit of the Tumi business amounted to US$218.9 million for the period from August 1, 2017 to December 31, 2017 compared to US$178.4 million recorded during the same period in the previous year following the acquisition of Tumi on August 1, 2016. This represented an increase of US$39.0 million, or 21.9%, on a constant currency basis and an increase of US$40.5 million, or 22.7%, on a US Dollar reported basis.

The increase in gross profit margin was partly attributable to the positive impact from the acquisition of Tumi, which delivers higher margins. Excluding amounts attributable to the Tumi business, gross profit increased by US$175.4 million, or 13.1%, to US$1,518.0 million, and gross profit margin increased to 53.7% for the year ended December 31, 2017 from 53.0% for the year ended December 31, 2016 largely due to a higher proportion of net sales coming from the direct-to-consumer channel. Gross profit margin attributable to the Tumi business was 66.5% for the year ended December 31, 2017. Gross profit margin attributable to the Tumi business was 68.9% for the period from August 1, 2017 to December 31, 2017 compared to 64.7% during the same period in the previous year following the acquisition of Tumi on August 1, 2016.

Distribution Expenses

Distribution expenses increased by US$254.1 million, or 31.1%, to US$1,072.5 million (representing 30.7% of net sales) for the year ended December 31, 2017 from US$818.4 million (representing 29.1% of net sales) for the year ended December 31, 2016. This increase was primarily due to the acquisition of Tumi and the increase in sales volume during the year ended December 31, 2017. Distribution expenses as a percentage of net sales increased year-on-year primarily due to the acquisition of Tumi, which has a higher distribution expense ratio due to its higher mix of direct-to-consumer sales, as well as the addition of eBags. The Group also recorded an additional US$10.4 million of amortization expense during the year ended December 31, 2017 compared to the year ended December 31, 2016, primarily associated with the customer relationship intangible assets recognized in conjunction with the Tumi acquisition. Excluding amounts attributable to the Tumi business, distribution expenses as a percentage of net sales were 28.4% for the year ended December 31, 2017 compared to 28.3% during the previous year due to increased fixed costs associated with the Group's focus on expanding its presence in the direct-to-consumer distribution channel.

Marketing Expenses

The Group spent US$206.0 million on marketing during the year ended December 31, 2017 compared to US$143.8 million for the year ended December 31, 2016, an increase of US$62.2 million, or 43.3%. As a percentage of net sales, marketing expenses increased by 80 basis points to 5.9% during the year ended December 31, 2017 compared to 5.1% during the year ended December 31, 2016. Excluding amounts attributable to the Tumi business, marketing expenses as a percentage of net sales increased by 100 basis points to 5.9% for the year ended December 31, 2017 compared to 4.9% for the prior year. The Group continued to employ targeted and focused advertising and promotional campaigns. The Group believes the success of its advertising campaigns is evident in its net sales growth, and remains committed to enhancing brand and product awareness and driving additional net sales growth through focused marketing activities.

General and Administrative Expenses

General and administrative expenses increased by US$62.0 million, or 34.8%, to US$239.9 million (representing 6.9% of net sales) for the year ended December 31, 2017 from US$177.9 million (representing 6.3% of net sales) for the year ended December 31, 2016. Excluding amounts attributable to the Tumi and eBags businesses, general and administrative expenses increased by US$27.6 million, or 17.0%, for the year ended December 31, 2017 compared to the prior year. Excluding amounts attributable to the Tumi business, general and administrative expenses as a percentage of net sales were 6.9% for the year ended December 31, 2017 compared to 6.4% during the previous year. General and administrative expenses increased as a percentage of net sales due to higher professional fees incurred in conjunction with the implementation of new accounting standards, as well as an increase in certain other general and administrative costs compared to the same period in the previous year.

Other Expenses

The Group recorded net other expenses of US$17.6 million and US$49.6 million for the years ended December 31, 2017 and December 31, 2016, respectively. Net other expenses for 2017 were primarily comprised of acquisition-related costs totaling US$19.3 million associated with due diligence, professional and legal fees, severance, integration and other costs incurred associated with completed and contemplated acquisitions, partially offset by miscellaneous items of other income. Net other expenses for 2016 included acquisition-related costs of US$46.2 million associated with due diligence, professional and legal fees, severance and integration costs incurred for the acquisition of Tumi, which was completed on August 1, 2016. Such costs were partially offset by certain other miscellaneous income items during 2016.

Operating Profit

On a constant currency basis, the Group's operating profit increased by US$88.3 million, or 26.7%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. US Dollar reported operating profit of US$423.9 million for the year ended December 31, 2017 increased by US$92.7 million, or 28.0%, from US$331.2 million for the year ended December 31, 2016 due to the factors noted above. Excluding acquisition-related costs, the Group's US Dollar reported operating profit increased by US$65.8 million, or 17.4%, for the year ended December 31, 2017 compared to the year ended December 31, 2016.

Net Finance Costs

Net finance costs increased by US$34.1 million, or 58.3%, to US$92.6 million for the year ended December 31, 2017 from US$58.5 million for the year ended December 31, 2016. This increase was attributable to a US$36.5 million increase in interest expense primarily related to the senior secured term loans and revolving credit facility (the "Senior Credit Facilities") (described in the Indebtedness section below) that were outstanding for the full-year ended December 31, 2017 compared to five months during 2016, as well as a US$2.3 million increase in foreign exchange losses year-on-year. Interest expense for 2017 includes the amortization of deferred financing costs in the amount of US$13.1 million. This increase was partially offset by a US$6.2 million decrease in the expense recognized for the change in fair value of put options related to agreements with certain holders of non-controlling interests for the year ended December 31, 2017 compared to the year ended December 31, 2016.

The following table sets forth a breakdown of total finance costs for the year ended December 31, 2017 and December 31, 2016.

(Expressed in thousands of US Dollars)	Year ended December 31, **2017**	2016
Recognized in income or loss:		
Interest income on bank deposits	**1,310**	1,253
Total finance income	**1,310**	1,253
Interest expense on financial liabilities measured at amortized cost	**(80,189)**	(43,691)
Change in fair value of put options	**(2,966)**	(9,119)
Net foreign exchange loss	**(5,976)**	(3,660)
Other finance costs	**(4,815)**	(3,319)
Total finance costs	**(93,946)**	(59,789)
Net finance costs recognized in profit or loss	**(92,636)**	(58,536)

Profit before Income Tax

On a constant currency basis, profit before income tax increased by US$54.4 million, or 20.0%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. US Dollar reported profit before income tax increased by US$58.6 million, or 21.5%, to US$331.2 million for the year ended December 31, 2017 from US$272.7 million for the year ended December 31, 2016. Excluding acquisition-related costs, profit before income tax increased by US$27.6 million, or 8.7%, on a constant currency basis and US Dollar reported profit before income tax increased by US$31.7 million, or 9.9%, for the year ended December 31, 2017 compared to the year ended December 31, 2016, notwithstanding a year-on-year increase in interest expense of US$36.5 million, primarily as a result of an additional seven months of interest expense associated with the Senior Credit Facilities utilized to finance the Tumi acquisition.

Income Tax Benefit

For the year ended December 31, 2017, the Group recorded an income tax benefit of US$24.2 million compared with an income tax benefit of US$2.2 million for the year ended December 31, 2016. For the year ended December 31, 2017, the Group recorded a non-cash income tax benefit of US$118.8 million in conjunction with the U.S. tax reform law that was enacted in December 2017 (the "2017 U.S. Tax Reform"). This benefit resulted from the application of the reduced U.S. corporate income tax of 21% (from 35%) to the net deferred tax liability balance. In addition, the Group incurred a tax expense of US$7.6 million associated with a legal entity reorganization following the Tumi acquisition. Together with the 2017 U.S. Tax Reform, these items resulted in a net tax benefit to the Group of US$111.2 million (the "2017 Net Tax Benefits").

For the year ended December 31, 2016, the Group purchased an annuity to liquidate the Samsonite Employee Retirement Income Plan (the "SERIP Plan"), the Group's principal defined benefit plan in the U.S. In conjunction with this liquidation (the "SERIP Plan Liquidation"), the Group recorded a US$56.8 million non-cash tax benefit related to the derecognition of deferred tax liabilities that originated from contributions to the pension plan in prior years.

The Group's consolidated effective tax rate for operations was a tax benefit of 7.3% and 0.8% for the years ended December 31, 2017 and December 31, 2016, respectively. The effective tax rate is calculated using a weighted average income tax rate from those jurisdictions in which the Group is subject to tax, adjusted for permanent book/tax differences, tax incentives, changes in tax reserves and changes in unrecognized deferred tax assets.

The Group's effective tax rate, excluding the net tax benefits in 2017 and 2016 identified above, was (26.3%) and (27.8%) for the years ended December 31, 2017 and December 31, 2016, respectively. The decrease in the Group's effective tax rate, as adjusted, was mainly the result of a benefit derived from share-based compensation and normal changes in the profit mix between high and low tax jurisdictions.

2017 U.S. Tax Reform Impact:

The Group has conducted a comprehensive review of the overall impact of the 2017 U.S. Tax Reform. For 2017, the Group has applied the income tax rate reduction to deferred tax assets ("DTAs") and deferred tax liabilities ("DTLs") the impact of which is described above. The transition tax, repatriation of offshore earnings, has been deemed immaterial for 2017. For the years after 2017, the Group believes it will be subject to the Foreign Derived Intangible Income ("FDII") regulations, the Base Erosion and Anti Avoidance tax ("BEAT") regulations and the Interest Limitations regulations. The Group does not believe the Global Intangible Low Taxed Income ("GILTI") provisions will apply to its' operations.

Profit for the Year

On a constant currency basis, profit for the year increased by US$79.7 million, or 29.0%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. Excluding the 2017 Net Tax Benefits and the tax benefit related to the SERIP Plan Liquidation during 2016, the Group's profit for the year, on a constant currency basis, increased by US$25.3 million, or 11.6%, year-on-year. US Dollar reported profit of US$355.4 million for the year ended December 31, 2017 increased by US$80.6 million, or 29.3%, from US$274.8 million for the previous year, notwithstanding a year-on-year increase in interest expense of US$36.5 million, primarily as a result of an additional seven months of interest expense associated with the Senior Credit Facilities utilized to finance the Tumi acquisition and the US$62.2 million increase in marketing expenses discussed above, partially offset by a US$26.9 million decrease in acquisition-related costs. Excluding the same factors noted above, the Group's US Dollar reported profit for the year increased by US$26.2 million, or 12.0%, for the year ended December 31, 2017 compared to the year ended December 31, 2016.

On a constant currency basis, profit attributable to the equity holders increased by US$77.8 million, or 30.4%, compared to the prior year due to the factors noted above. Excluding the 2017 Net Tax Benefits and the tax benefit related to the SERIP Plan Liquidation during 2016, the Group's profit attributable to equity holders increased by US$23.3 million, or 11.7%, on a constant currency basis. US Dollar reported profit attributable to the equity holders was US$334.3 million for the year ended December 31, 2017, an increase of US$78.6 million, or 30.7%, from US$255.7 million for the year ended December 31, 2016. Excluding the same factors noted above, the Group's US Dollar reported profit attributable to equity holders increased by US$24.1 million, or 12.1%, for the year ended December 31, 2017 compared to the year ended December 31, 2016.

Basic earnings per share ("Basic EPS") increased by 30.4% to US$0.236 for the year ended December 31, 2017 from US$0.181 for the year ended December 31, 2016. Diluted earnings per share ("Diluted EPS") increased by 29.3% to US$0.234 for the year ended December 31, 2017 from US$0.181 for the year ended December 31, 2016. The weighted average number of shares utilized in the Basic EPS calculation was 1,417,342,709 shares as of December 31, 2017 compared to 1,410,593,129 shares as of December 31, 2016. The weighted average number of shares outstanding utilized in the Diluted EPS calculation was 1,428,133,150 shares as of December 31, 2017 compared to 1,413,559,223 shares as of December 31, 2016.

Adjusted EBITDA

On a constant currency basis, adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), a non-IFRS measure, increased by US$88.6 million, or 18.2%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. US Dollar reported Adjusted EBITDA increased by US$94.7 million, or 19.5%, to US$580.3 million for the year ended December 31, 2017 from US$485.6 million for the year ended December 31, 2016. Adjusted EBITDA margin decreased to 16.6% from 17.3% due to increased marketing spend to promote the Group's brands, partially offset by higher gross margins. Excluding the Adjusted EBITDA and net sales attributable to the Tumi business, Adjusted EBITDA margin decreased to 15.6% for the year ended December 31, 2017 from 16.6% for the year ended December 31, 2016. This decrease was attributable to the increase in marketing expenses, partly offset by higher gross margins. See the reconciliation of profit for the year to Adjusted EBITDA below for the Group's results excluding certain costs and charges and other non-cash charges that impacted US Dollar reported profit for the year.

Adjusted EBITDA of the Tumi business amounted to US$139.7 million for the year ended December 31, 2017. Adjusted EBITDA of the Tumi business amounted to US$79.5 million for the period from August 1, 2017 to December 31, 2017 compared to US$64.3 million recorded during the same period in the previous year following the acquisition of Tumi on August 1, 2016. This represented an increase of US$14.7 million, or 22.9%, on a constant currency basis and an increase of US$15.2 million, or 23.6%, on a US Dollar reported basis.

The following table presents the reconciliation from the Group's profit for the year to Adjusted EBITDA for the years ended December 31, 2017 and December 31, 2016:

	Year ended December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Profit for the year	**355,441**	274,825
Plus (Minus):		
Income tax benefit	**(24,194)**	(2,160)
Finance costs	**93,946**	59,789
Finance income	**(1,310)**	(1,253)
Depreciation	**85,117**	66,785
Amortization	**32,808**	22,456
EBITDA	**541,808**	420,442
Plus:		
Share-based compensation expense	**20,892**	15,490
Other adjustments(1)	**17,595**	49,706
Adjusted EBITDA	**580,295**	485,638
Adjusted EBITDA growth	**19.5%**	
Adjusted EBITDA growth, constant currency basis	**18.2%**	
Adjusted EBITDA margin	**16.6%**	17.3%

Note

(1) Other adjustments primarily comprised of 'Other expenses' per the consolidated income statement, which includes acquisition-related costs of US$19.3 million and US$46.2 million for the years ended December 31, 2017 and December 31, 2016, respectively.

The following tables present reconciliations from profit (loss) for the year to Adjusted EBITDA on a regional basis for the years ended December 31, 2017 and December 31, 2016:

	Year ended December 31, 2017					
(Expressed in thousands of US Dollars)	**North America**	**Asia**	**Europe**	**Latin America**	**Corporate**	**Total**
Profit (loss) for the year	**42,298**	**101,533**	**44,866**	**(2,594)**	**169,338**	**355,441**
Plus (Minus):						
Income tax expense (benefit)[(1)]	**34,915**	**31,125**	**32,341**	**550**	**(123,125)**	**(24,194)**
Finance costs[(2)]	**(1,101)**	**(3,010)**	**2,337**	**3,342**	**92,378**	**93,946**
Finance income	**(84)**	**(808)**	**(323)**	**(61)**	**(34)**	**(1,310)**
Depreciation	**31,203**	**23,794**	**23,361**	**5,122**	**1,637**	**85,117**
Amortization	**9,881**	**15,037**	**4,424**	**2,589**	**877**	**32,808**
EBITDA	**117,112**	**167,671**	**107,006**	**8,948**	**141,071**	**541,808**
Plus (Minus):						
Share-based compensation expense	**5,389**	**2,189**	**508**	**129**	**12,677**	**20,892**
Other adjustments[(3)]	**100,355**	**92,378**	**16,441**	**3,229**	**(194,808)**	**17,595**
Adjusted EBITDA	**222,856**	**262,238**	**123,955**	**12,306**	**(41,060)**	**580,295**
Adjusted EBITDA growth	**31.2%**	**15.1%**	**12.9%**	**57.8%**	**38.0%**	**19.5%**
Adjusted EBITDA growth, constant currency basis	**31.0%**	**14.8%**	**8.4%**	**55.6%**	**37.9%**	**18.2%**
Adjusted EBITDA margin	**16.0%**	**21.9%**	**16.9%**	**7.8%**	***nm***	**16.6%**

Notes

(1) 2017 U.S. Tax Reform impact shown in the Corporate segment.

(2) Finance costs primarily include interest expense on financial liabilities, change in the fair value of put options and unrealized (gains) losses on foreign exchange that are presented on a net basis. See breakout in Note 19 to the consolidated financial statements.

(3) Other adjustments primarily comprised of 'Other expenses' per the consolidated income statement which includes acquisition-related costs. Regional results include intra-group royalty income/expense.

nm Not meaningful.

	Year ended December 31, 2016					
(Expressed in thousands of US Dollars)	North America	Asia	Europe	Latin America[(3)]	Corporate	Total
Profit (loss) for the year	40,649	102,883	49,356	(7,187)	89,124	274,825
Plus (Minus):						
Income tax expense (benefit)	42,863	31,184	14,769	172	(91,148)	(2,160)
Finance costs[(1)]	840	(343)	4,615	2,641	52,036	59,789
Finance income	(7)	(654)	(192)	(226)	(174)	(1,253)
Depreciation	20,663	18,920	21,430	3,333	2,439	66,785
Amortization	5,194	10,502	3,074	3,272	414	22,456
EBITDA	110,202	162,492	93,052	2,005	52,691	420,442
Plus (Minus):						
Share-based compensation expense	3,154	1,412	812	136	9,976	15,490
Other adjustments[(2)]	56,479	64,024	15,975	5,659	(92,431)	49,706
Adjusted EBITDA	169,835	227,928	109,839	7,800	(29,764)	485,638
Adjusted EBITDA margin	16.5%	22.2%	17.9%	6.0%	*nm*	17.3%

Notes

(1) Finance costs primarily include interest expense on financial liabilities, change in the fair value of put options and unrealized (gains) losses on foreign exchange that are presented on a net basis. See breakout in Note 19 to the consolidated financial statements.

(2) Other adjustments primarily comprised of 'Other expenses' per the consolidated income statement which includes acquisition-related costs. Regional results include intra-group royalty income/expense.

(3) During the year ended December 31, 2016, the Group's profitability in Latin America was negatively impacted by the continued investment in retail expansion, team and infrastructure necessary to position the region for strong growth in the coming years.

nm Not meaningful.

The Group has presented Adjusted EBITDA because it believes that, when viewed with its results of operations as prepared in accordance with IFRS and with the reconciliation to profit for the year, Adjusted EBITDA provides additional information that is useful in gaining a more complete understanding of its operational performance and of the trends impacting its business. Adjusted EBITDA is an important metric the Group uses to evaluate its operating performance and cash generation.

Adjusted EBITDA is a non-IFRS financial measure and as calculated herein may not be comparable to similarly named measures used by other companies and should not be considered as a measure comparable to profit for the year in the Group's consolidated income statements. Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation from, or as a substitute for, an analysis of the Group's results of operations as reported under IFRS.

Adjusted Net Income

On a constant currency basis, Adjusted Net Income, a non-IFRS measure, increased by US$1.7 million, or 0.7%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. US Dollar reported Adjusted Net Income increased by US$2.7 million, or 1.0%, to US$260.6 million for the year ended December 31, 2017 from US$257.9 million for the year ended December 31, 2016, with additional profits from Tumi largely offset by a year-on-year increase in interest expense of US$36.5 million, primarily as a result of an additional seven months of interest expense associated with the Senior Credit Facilities utilized to finance the Tumi acquisition, as well as the increase in marketing expenses noted above. See the reconciliation of profit for the year to Adjusted Net Income below for the Group's results excluding certain costs and charges and other non-cash charges that impacted US Dollar reported profit for the year.

Adjusted Basic EPS and adjusted Diluted EPS, non-IFRS measures, were US$0.184 and US$0.182, respectively, for the year ended December 31, 2017, relatively flat compared to the adjusted Basic EPS and adjusted Diluted EPS of US$0.183 and US$0.182, respectively, for the year ended December 31, 2016.

The following table presents the reconciliation from the Group's profit for the year to Adjusted Net Income for the years ended December 31, 2017 and December 31, 2016:

	Year ended December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Profit for the year	**355,441**	274,825
Profit attributable to non-controlling interests	**(21,185)**	(19,158)
Profit attributable to the equity holders	**334,256**	255,667
Plus (Minus):		
Change in fair value of put options included in finance costs	**2,966**	9,119
Amortization of intangible assets	**32,808**	22,456
Acquisition-related costs	**19,280**	46,189
2017 U.S. Tax Reform	**(118,791)**	—
Tax impact of legal entity reorganization	**7,559**	—
Tax benefit from the SERIP Plan Liquidation	**—**	(56,773)
Other adjustments(1)	**—**	5,775
Tax adjustments(2)	**(17,496)**	(24,547)
Adjusted Net Income(3)	**260,582**	257,886

Notes

(1) Other adjustments consisted of US$5.8 million during the year ended December 31, 2016 for interest expense associated with the senior secured term loan B facility (the "Term Loan B Facility") incurred prior to the Tumi acquisition on August 1, 2016 (described in the Indebtedness section below).

(2) Tax adjustments represent the tax effect of the reconciling line items as included in the consolidated income statement based on the applicable tax rate in the jurisdiction where such costs were incurred.

(3) Represents Adjusted Net Income attributable to the equity holders of the Company.

Directors' Report

The Group has presented Adjusted Net Income because it believes this measure helps to give securities analysts, investors and other interested parties a better understanding of the Group's underlying financial performance. By presenting Adjusted Net Income, the Group eliminates the effect of a number of costs, charges and credits and certain other non-cash charges, along with their respective tax effects, that impact US Dollar reported profit for the year.

Adjusted Net Income is a non-IFRS financial measure, and as calculated herein may not be comparable to similarly named measures used by other companies and should not be considered as a measure comparable to profit for the year in the Group's consolidated income statements. Adjusted Net Income has limitations as an analytical tool and should not be considered in isolation from, or as a substitute for, an analysis of the Group's results of operations as reported under IFRS.

Liquidity and Capital Resources

The primary objective of the Group's capital management policies is to safeguard its ability to continue as a going concern, to provide returns for the Company's shareholders, and to fund capital expenditures, normal operating expenses, working capital needs and the payment of obligations. The Group's primary sources of liquidity are its cash flows from operating activities, invested cash, available lines of credit and, subject to shareholder approval, the Company's ability to issue additional shares. The Group believes that its existing cash and estimated cash flows, along with current working capital, will be adequate to meet the operating and capital requirements of the Group for at least the next twelve months.

Net cash flows provided by operating activities increased by US$80.6 million, or 30.9%, to US$341.3 million for the year ended December 31, 2017 compared to US$260.8 million for the year ended December 31, 2016. This increase was primarily attributable to increased profits before non-cash depreciation and amortization charges, partially offset by increases in interest and income taxes paid.

For the year ended December 31, 2017, net cash flows used in investing activities were US$277.5 million and were primarily related to the acquisition of eBags on May 5, 2017 as well as to amounts paid to former distributors of the *Tumi* brand to assume direct control of the distribution of Tumi products in certain Asian markets. For the year ended December 31, 2016, net cash flows used in investing activities were US$1,759.4 million and were primarily related to the acquisition of Tumi on August 1, 2016. The Group had capital expenditures of US$94.6 million in 2017 compared to US$69.6 million in 2016. During 2017, the Group added new retail locations, remodeled existing retail locations, continued work on the warehouse and office in China, made investments to expand its manufacturing facility in Hungary and made investments in machinery and equipment.

Net cash flows used in financing activities were US$112.8 million for the year ended December 31, 2017 and were largely attributable to the US$97.0 million distribution to shareholders, the purchase of the non-controlling interest in the Group's Australian subsidiary of US$31.9 million and payments of US$45.8 million associated with the senior secured term loan facilities, partially offset by proceeds received of US$50.7 million under its current loans and borrowings. The Group also paid US$5.4 million in deferred financing costs related to the refinancing of the senior secured term loan facilities and revolving credit facility (described in the Indebtedness section below). Net cash flows generated from financing activities were US$1,697.9 million for the year ended December 31, 2016. The Group received gross proceeds of US$1,925.0 million from the senior secured term loan facilities (described in the Indebtedness section below) which were used to fund the acquisition of Tumi. The Group paid US$69.5 million in deferred financing costs related to the senior secured term loan facilities (described in the Indebtedness section below).

The Group had US$344.5 million in cash and cash equivalents as of December 31, 2017, compared to US$368.5 million as of December 31, 2016. No amounts of cash and cash equivalents were restricted as of December 31, 2017. As of December 31, 2016, US$35.1 million of the cash was restricted. Cash and cash equivalents are generally denominated in the functional currencies of each respective Group entity.

Indebtedness

The following table sets forth the carrying amount of the Group's loans and borrowings as of December 31, 2017 and December 31, 2016:

	December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Term Loan A Facility	**1,203,125**	1,242,187
Term Loan B Facility	**666,563**	673,313
Revolving Facility	**63,589**	10,516
Senior Credit Facilities	**1,933,277**	1,926,016
Other lines of credit	**19,923**	13,410
Finance lease obligations	**337**	283
Total loans and borrowings	**1,953,537**	1,939,709
Less deferred financing costs	**(56,572)**	(64,341)
Total loans and borrowings less deferred financing costs	**1,896,965**	1,875,368

Senior Credit Facilities

Overview

On May 13, 2016, an indirect wholly-owned subsidiary of the Company entered into a Credit and Guaranty Agreement dated as of May 13, 2016 (the "Credit Agreement") with certain lenders and financial institutions. On August 1, 2016 (the "Closing Date"), the Company and certain of its other indirect wholly-owned subsidiaries became parties to the Credit Agreement. The Credit Agreement provides for (1) a US$1,250.0 million senior secured term loan A facility (the "Term Loan A Facility"), (2) a US$675.0 million senior secured term loan B facility (the "Term Loan B Facility" and, together with the Term Loan A Facility, the "Term Loan Facilities") and (3) a US$500.0 million revolving credit facility (the "Revolving Facility", and, together with the Term Loan Facilities, the "Senior Credit Facilities").

On the Closing Date, the Company and certain of its other indirect wholly-owned subsidiaries became parties to the Credit Agreement, and the Group used the proceeds from the Senior Credit Facilities to pay the total consideration under the Merger Agreement, to repay all amounts then outstanding under the Group's prior US$500.0 million revolving credit facility (the "Prior Revolving Facility"), which Prior Revolving Facility was then terminated, and to pay fees, costs and expenses related to the Tumi acquisition, as well as for general corporate purposes.

Interest Rate and Fees

Interest on the borrowings under the Term Loan A Facility and the Revolving Facility began to accrue on the Closing Date. The interest rates for such borrowings were initially based on the London Interbank Offered Rate ("LIBOR") plus an applicable margin of 2.75% per annum. The applicable margin for borrowings under both the Term Loan A Facility and the Revolving Facility may step down based on achievement of a specified total net leverage ratio of the Company and its subsidiaries at the end of each fiscal quarter, commencing with the quarter ended December 31, 2016. Interest on the borrowing under the Term Loan B Facility began to accrue on May 13, 2016 at the rate of LIBOR plus 3.25% per annum.

In addition to paying interest on outstanding principal under the Senior Credit Facilities, the borrowers will pay customary agency fees and a commitment fee in respect of the unutilized commitments under the Revolving Facility, which was initially 0.50% per annum. The commitment fee may step down based on the achievement of a specified total net leverage ratio level of the Company and its subsidiaries at the end of each fiscal quarter, commencing with the quarter ended December 31, 2016.

On February 2, 2017, the Group refinanced the Senior Credit Facilities (the "Repricing"). Under the terms of the Repricing, the interest rate payable on the Term Loan A Facility and the Revolving Facility was reduced with effect from February 2, 2017 until the delivery of the financial statements for the period ended June 30, 2017 to LIBOR plus 2.00% per annum (or a base rate plus 1.00% per annum) from LIBOR plus 2.75% per annum (or a base rate plus 1.75% per annum) and thereafter shall be based on the total net leverage ratio of the Group at the end of each fiscal quarter. The interest rate payable on the Term Loan B Facility was reduced with effect from February 2, 2017 to LIBOR plus 2.25% per annum with a LIBOR floor of 0.00% (or a base rate plus 1.25% per annum) from LIBOR plus 3.25% per annum with a LIBOR floor of 0.75% (or a base rate plus 2.25% per annum). In addition, the commitment fee payable in respect of the unutilized commitments under the Revolving Facility was reduced from 0.50% per annum to 0.375% per annum through June 30, 2017 and thereafter shall be based on the total net leverage ratio of the Group at the end of each fiscal quarter.

Mandatory Prepayments

The Credit Agreement requires certain mandatory prepayments of outstanding loans under the Term Loan Facilities from the net cash proceeds of certain asset sales and casualty and condemnation events (subject to reinvestment rights), and the net cash proceeds of any incurrence or issuance of debt not permitted under the Senior Credit Facilities, in each case subject to customary exceptions and thresholds. The Credit Agreement also provides for mandatory prepayments of the Term Loan B Facility to be made based on the excess cash flow of the Company and its subsidiaries. For the year ended December 31, 2017, there were no mandatory prepayments made. Based on the results for the year ended December 31, 2017, there is no mandatory prepayment required based on excess cash flow.

Voluntary Prepayments

All outstanding loans under the Senior Credit Facilities may be voluntarily prepaid at any time without premium or penalty other than customary "breakage" costs with respect to LIBOR loans.

Amortization and Final Maturity

The Term Loan A Facility requires scheduled quarterly payments that commenced December 31, 2016, with an amortization of 2.5% of the original principal amount of the loans under the Term Loan A Facility made during the first year, with a step-up to 5.0% amortization during the second and third years, 7.5% during the fourth year and 10.0% during the fifth year, with the balance due and payable on the fifth anniversary of the Closing Date. The Term Loan B Facility requires scheduled quarterly payments that commenced December 31, 2016, each equal to 0.25% of the original principal amount of the loans under the Term Loan B Facility, with the balance due and payable on the seventh anniversary of the Closing Date. There is no scheduled amortization of the principal amounts of the loans outstanding under the Revolving Facility. Any principal amount outstanding under the Revolving Facility is due and payable on the fifth anniversary of the Closing Date. Principal payments in the amounts of US$45.8 million and US$9.5 million were made during 2017 and 2016, respectively.

Guarantees and Security

The obligations of the borrowers under the Senior Credit Facilities are unconditionally guaranteed by the Company and certain of the Company's existing direct or indirect wholly-owned material subsidiaries, and are required to be guaranteed by certain future direct or indirect wholly-owned material subsidiaries organized in the jurisdictions of Luxembourg, Belgium, Canada, Hong Kong, Hungary, Mexico and the United States. All obligations under the Senior Credit Facilities, and the guarantees of those obligations, are secured, subject to certain exceptions, by substantially all of the assets of the Company and the assets of certain of its direct and indirect wholly-owned subsidiaries that are borrowers and/or guarantors under the Senior Credit Facilities, including: (i) a first-priority pledge of all of the equity interests of certain of the Company's subsidiaries and each wholly-owned material restricted subsidiary of these entities (which pledge, in the case of any foreign subsidiary of a U.S. entity, is limited to 66% of the voting capital stock and 100% of the non-voting capital stock of such foreign subsidiary); and (ii) a first-priority security interest in substantially all of the tangible and intangible assets of the Company and the subsidiary guarantors.

Certain Covenants and Events of Default

The Senior Credit Facilities contain a number of customary negative covenants that, among other things and subject to certain exceptions, may restrict the ability of the Company and its subsidiaries to: (i) incur additional indebtedness; (ii) pay dividends or distributions on its capital stock or redeem, repurchase or retire its capital stock or its other indebtedness; (iii) make investments, loans and acquisitions; (iv) engage in transactions with its affiliates; (v) sell assets, including capital stock of its subsidiaries; (vi) consolidate or merge; (vii) materially alter the business it conducts; (viii) incur liens; and (ix) prepay or amend any junior debt or subordinated debt.

In addition, the Credit Agreement requires the Company and its subsidiaries to meet certain quarterly financial covenants. Commencing with the fiscal quarter ended December 31, 2016, the Company and its subsidiaries are required to maintain (i) a pro forma total net leverage ratio of not greater than 4.75:1.00, which threshold will decrease to 4.50:1.00 for test periods in 2018, 4.25:1.00 for test periods in 2019 and 4.00:1.00 for test periods in 2020, and (ii) a pro forma interest coverage ratio of not less than 3.25:1.00. The Group was in compliance with the financial covenants as of December 31, 2017.

The Credit Agreement also contains certain customary representations and warranties, affirmative covenants and provisions relating to events of default (including upon a change of control).

Interest Rate Swaps

The Group entered into interest rate swap transactions on June 1, 2016 that became effective on December 31, 2016 and will terminate on August 31, 2021. The Group uses the interest rate swap transactions to minimize its exposure to interest rate fluctuations under the floating-rate Senior Credit Facilities by swapping certain US Dollar floating-rate bank borrowings with fixed-rate agreements. The interest rate swap agreements had initial notional amounts totaling US$1,237.0 million representing approximately 65% of the anticipated balances of the Term Loan Facilities. The notional amounts of the interest rate swap agreements decrease over time in line with required amortization and anticipated prepayments on the Term Loan Facilities. LIBOR has been fixed at approximately 1.30% under each agreement. Each of the interest rate swap agreements have fixed payments due monthly that commenced January 31, 2017. The interest rate swap transactions qualify as cash flow hedges. As of December 31, 2017 and December 31, 2016, the interest rate swaps were marked-to-market, resulting in a net asset position to the Group in the amount of US$24.5 million and US$16.1 million, respectively, which was recorded as an asset with the effective portion of the gain deferred to other comprehensive income.

Deferred Financing Costs

The Group recognized US$5.4 million of deferred financing costs during the year ended December 31, 2017 related to the Repricing. The Group recognized US$69.5 million of deferred financing costs during the year ended December 31, 2016 related to the Senior Credit Facilities. The deferred financing costs have been deferred and offset against loans and borrowings to be amortized using the effective interest method over the life of the Term Loan Facilities. The amortization of deferred financing costs, which is included in interest expense, amounted to US$13.1 million and US$5.2 million for the years ended December 31, 2017 and December 31, 2016, respectively.

Revolving Facility

As of December 31, 2017, US$432.6 million was available to be borrowed on the Revolving Facility as a result of US$63.6 million of outstanding borrowings and the utilization of US$3.8 million of the facility for outstanding letters of credit extended to certain creditors. As of December 31, 2016, US$486.4 million was available to be borrowed on the Revolving Facility as a result of US$10.5 million of outstanding borrowings and the utilization of US$3.1 million of the facility for outstanding letters of credit extended to certain creditors.

Other Loans and Borrowings

Certain consolidated subsidiaries of the Group maintain credit lines and other short-term loans with various third party lenders in the regions in which they operate. Other loans and borrowings are generally variable rate instruments denominated in the functional currency of the borrowing Group entity. These other loans and borrowings provide short-term financing and working capital for the day-to-day business operations of the subsidiaries, including overdraft, bank guarantees, and trade finance and factoring facilities. The majority of the credit lines included in other loans and borrowings are uncommitted facilities. The total aggregate amount outstanding under the local facilities was US$19.9 million and US$13.4 million as of December 31, 2017 and December 31, 2016, respectively. The uncommitted available facilities amounted to US$114.4 million and US$79.5 million as of December 31, 2017 and December 31, 2016, respectively.

The following represents the contractual maturity dates of the Group's loans and borrowings as of December 31, 2017 and December 31, 2016:

	December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
On demand or within one year	**152,860**	69,807
After one year but within two years	**77,164**	69,319
After two years but within five years	**1,090,669**	1,161,020
More than five years	**632,844**	639,563
	1,953,537	1,939,709

Hedging

The Group's non-U.S. subsidiaries periodically enter into forward contracts related to the purchase of inventory denominated primarily in US Dollars which are designated as cash flow hedges. Cash outflows associated with these derivatives as of December 31, 2017 are expected to be US$117.4 million within one year.

Other Financial Information

Capital Expenditures

Historical Capital Expenditures

The following table sets forth the Group's historical capital expenditures for the years ended December 31, 2017 and December 31, 2016:

	Year ended December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Land	**—**	226
Buildings	**27,448**	404
Machinery, equipment, leasehold improvements and other	**67,184**	68,949
Total capital expenditures	**94,632**	69,579

Capital expenditures during the year ended December 31, 2017 included costs for new retail locations, remodeling existing retail locations, continued work on the warehouse in China and investments in machinery and equipment.

Planned Capital Expenditures

The Group's capital expenditures budget for 2018 is approximately US$146.0 million. The Group plans to complete the warehouse in China and expansion of its plant in Hungary, begin construction of a new warehouse in Europe, refurbish existing retail stores, open new retail stores and invest in machinery and equipment.

Contractual Obligations

The following table summarizes scheduled maturities of the Group's contractual obligations for which cash flows are fixed and determinable as of December 31, 2017:

(Expressed in thousands of US Dollars)	Total	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	1,953,537	152,860	77,164	1,090,669	632,844
Minimum operating lease payments	691,686	158,868	131,689	249,927	151,202
Total	2,645,223	311,728	208,853	1,340,596	784,046

As of December 31, 2017, the Group did not have any material off-balance sheet arrangements or contingencies except as included in the table summarizing its contractual obligations above.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries

Other than the assumption of direct control of the wholesale and retail distribution of Tumi products in South Korea, Hong Kong, Macau, China, Indonesia and Thailand, the acquisition of eBags and the acquisition of the non-controlling interest in Australia, there were no other significant investments held, material acquisitions, or disposals of subsidiaries during the year ended December 31, 2017.

Directors' Report

Forward-Looking Statements

This document contains forward-looking statements. Forward-looking statements reflect the Group's current views with respect to future events and performance. These statements may discuss, among other things, the Group's net sales, operating profit, Adjusted Net Income, Adjusted EBITDA, Adjusted EBITDA margin, cash flow, liquidity and capital resources, impairments, growth, strategies, plans, achievements, distributions, organizational structure, future store openings, market opportunities and general market and industry conditions. The Group generally identifies forward-looking statements by words such as "expect", "seek", "believe", "plan", "intend", "estimate", "project", "anticipate", "may", "will", "would" and "could" or similar words or statements. Forward-looking statements are based on beliefs and assumptions made by management using currently available information. These statements are only predictions and are not guarantees of future performance, actions or events. Forward-looking statements are subject to risks and uncertainties. If one or more of these risks or uncertainties materialize, or if management's underlying beliefs and assumptions prove to be incorrect, actual results may differ materially from those contemplated by a forward-looking statement. Forward-looking statements speak only as of the date on which they are made. The Group expressly disclaims any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable securities laws and regulations.

2. Principal Risks and Uncertainties

Details of principal risks and uncertainties can be found in note 21 of the consolidated financial statements.

In terms of financial guarantees, the Company's policy is to provide financial guarantees only on behalf of subsidiaries. No other guarantees have been made to third parties.

3. Effectiveness of Risk Management and Internal Control

The Board places great importance on risk management and internal control and is responsible for ensuring that the Company maintains sound and effective systems of risk management and internal control.

The Company's internal audit department reviews the adequacy and effectiveness of the risk management and internal control systems. Each year the internal and external audit plans are discussed with, and approved by, the Audit Committee.

The Board has reviewed the overall effectiveness of the Company's systems of risk management and internal control for the year ended December 31, 2017. The Board has delegated to the Audit Committee responsibility for reviewing the Company's systems of risk management and internal control and reporting the committee's findings to the Board. In conducting such review, the Audit Committee, on behalf of the Board, has (i) reviewed the Company's internal audit activities during the year and discussed such activities and the results thereof with the Company's Vice President of Internal Audit, (ii) reviewed and discussed the scope and results of the annual audit with the Company's external auditors, (iii) reviewed the results of management's control self-assessment process with management and the Company's Vice President of Internal Audit, (iv) reviewed the results of the Company's risk assessment with management and the Company's Vice President of Internal Audit, and (v) reviewed with management the results of the Company's internal management representation process that was performed in connection with the preparation of the Company's consolidated financial statements. Based on its review, the Board confirms, and management has also confirmed to the Board, that the Company's risk management and internal control systems are effective and adequate.

4. *Financial Risk Management and Hedging*

Details of financial risk management can be found in note 21 of the consolidated financial statements.

The Group's non-U.S. subsidiaries periodically enter into forward contracts related to the purchase of inventory denominated primarily in US Dollars which are designated as cash flow hedges. Cash outflows associated with these derivatives as of December 31, 2017 are expected to be US$117.4 million within one year.

5. *Research and Development*

The Group devotes significant resources to new product design, development and innovation as it is a core part of its strategy. The Group believes it has a strong track record of innovation, and its global scale allows it to make significant expenditures on research and development. The Group incurred research and development expenses of US$29.9 million during the year ended December 31, 2017. Each of the Group's 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. The Group's design teams are continuously developing new products, based on continual improvement and innovation.

6. *Capital Structure and Shareholding*

Details on the capital structure of the Company can be found in note 23 of the consolidated financial statements. Since its incorporation, the Company did not proceed to acquire any of its own shares.

7. *Other Information*

Distributions to Shareholders

On March 15, 2017, the Board recommended that a cash distribution in the amount of US$97.0 million, or approximately US$0.0684 per share, be made to the Company's shareholders of record on June 17, 2017 from its ad hoc distributable reserve. The shareholders approved this distribution on June 1, 2017 at the Annual General Meeting and the distribution was paid on July 12, 2017.

Dividend payments to non-controlling interests amounted to US$22.1 million and US$14.8 million during the years ended December 31, 2017 and December 31, 2016, respectively.

No other dividends or distributions were declared or paid during the years ended December 31, 2017 and December 31, 2016.

The Board recommends that a cash distribution in the amount of US$110.0 million, or approximately US$0.0772 per share based upon the number of shares outstanding as of the date hereof (the "Distribution") be made to the Company's shareholders from its ad hoc distributable reserve. The per share amount of the Distribution is subject to change in the event that any new shares are issued pursuant to the exercise of outstanding share options before the record date for the Distribution. A further announcement will be made on the record date of the Distribution in the event that the final amount per share changes. The payment shall be made in US Dollars, except that payment to shareholders whose names appear on the register of members in Hong Kong shall be paid in Hong Kong Dollars. The relevant exchange rate shall be the opening buying rate of Hong Kong Dollars to US Dollars as announced by the Hong Kong Association of Banks (www.hkab.org.hk) on the day of the approval of the Distribution.

The Distribution will be subject to approval by the shareholders at the forthcoming AGM of the Company. For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from June 1, 2018 to June 7, 2018, both days inclusive, during which period no transfer of shares will be registered. The record date to determine which shareholders will be eligible to attend and vote at the forthcoming AGM will be June 7, 2018. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on May 31, 2018.

Subject to the shareholders approving the recommended Distribution at the forthcoming AGM, such Distribution will be payable on July 12, 2018 to shareholders whose names appear on the register of members on June 15, 2018. To determine eligibility for the Distribution, the register of members will be closed from June 13, 2018 to June 15, 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to receive the Distribution, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on June 12, 2018.

The Distribution will not be subject to withholding tax under Luxembourg laws.

Human Resources and Remuneration

As of December 31, 2017, the Group had approximately 13,600 employees worldwide, compared to approximately 12,400 employees as of December 31, 2016. The increase in headcount was largely driven by the acquisition of eBags and by the Group assuming direct control of the distribution of Tumi products in certain Asian markets, as well as the addition of new retail stores around the world. The Group regularly reviews remuneration and benefits of its employees according to the relevant market practice, employee performance and the financial performance of the Group. The Group is committed to helping its employees develop the knowledge, skills and abilities needed for continued success, and encourages employee professional development throughout each employee's career.

8. Strategic Review and Future Prospects

During 2017, the Group continued to implement its strategic plan in the following areas:

Financial Highlights

For the year ended December 31, 2017, the Group's:

- Net sales increased to a record level of US$3,490.9 million, reflecting an increase of 23.3% on a constant currency basis from the previous year. US Dollar reported net sales increased by 24.2%. Excluding amounts attributable to the Tumi business, which was acquired on August 1, 2016, net sales increased by US$268.8 million, or 10.6%, on a constant currency basis and US Dollar reported net sales increased by US$291.7 million, or 11.5%. Further excluding the contribution from eBags, which was acquired on May 5, 2017, net sales increased by US$160.3 million, or 6.3%, on a constant currency basis and US Dollar reported net sales increased by US$183.3 million, or 7.2%.

- Net sales of the Tumi business amounted to US$664.5 million for the year ended December 31, 2017. Net sales of the Tumi business amounted to US$318.0 million for the period from August 1, 2017 to December 31, 2017 compared to US$275.8 million recorded during the same period in the previous year following the acquisition of Tumi on August 1, 2016. This represented an increase of US$39.9 million, or 14.5%, on a constant currency basis and an increase of US$42.2 million, or 15.3%, on a US Dollar reported basis.

- Gross profit margin increased to 56.1% for the year ended December 31, 2017 from 54.1% for the year ended December 31, 2016. The increase in gross profit margin was partly attributable to the positive impact from the acquisition of Tumi, which delivers higher margins. Excluding amounts attributable to the Tumi business, gross profit margin increased to 53.7% for the year ended December 31, 2017 from 53.0% for the year ended December 31, 2016 largely due to a higher proportion of net sales coming from the direct-to-consumer channel.

- The Group spent US$206.0 million on marketing during the year ended December 31, 2017 compared to US$143.8 million for the year ended December 31, 2016, an increase of US$62.2 million, or 43.3%. As a percentage of net sales, marketing expenses increased by 80 basis points to 5.9% in 2017 compared to 5.1% in 2016. Excluding amounts attributable to the Tumi business, marketing expenses as a percentage of net sales increased by 100 basis points to 5.9% for the year ended December 31, 2017 compared to 4.9% for the same period in the previous year. The continued investment in marketing was intended to further increase awareness of the Group's brands in order to drive future sales growth and gain additional market share.

- Operating profit increased by US$88.3 million, or 26.7%, on a constant currency basis year-on-year. US Dollar reported operating profit increased by US$92.7 million, or 28.0%, to US$423.9 million, notwithstanding a US$62.2 million increase in the Group's investment in marketing, partially offset by a US$26.9 million decrease in acquisition-related costs. Excluding acquisition-related costs, operating profit increased by US$61.5 million, or 16.3%, on a constant currency basis and US Dollar reported operating profit increased by US$65.8 million, or 17.4%.

- Profit for the year increased by US$79.7 million, or 29.0%, on a constant currency basis year-on-year. US Dollar reported profit for the year increased by US$80.6 million, or 29.3%, to US$355.4 million.
  - During 2017, the Group recorded a non-cash tax benefit of US$118.8 million in conjunction with the U.S. tax reform law that was enacted in December 2017 (the "2017 U.S. Tax Reform"). In addition, the Group incurred a tax expense of US$7.6 million associated with a legal entity reorganization following the Tumi acquisition. Together with the 2017 U.S. Tax Reform, these items resulted in a net tax benefit to the Group of US$111.2 million (the "2017 Net Tax Benefits").

  - During 2016, the Group purchased an annuity to liquidate the Samsonite Employee Retirement Income Plan (the "SERIP Plan"), the Group's principal defined benefit pension plan in the U.S. In conjunction with this liquidation (the "SERIP Plan Liquidation"), the Group recorded a US$56.8 million non-cash tax benefit related to the derecognition of deferred tax liabilities that originated from contributions to the pension plan in prior years.

  Excluding the 2017 Net Tax Benefits and the tax benefit related to the SERIP Plan Liquidation in 2016, the Group's profit for the year increased by US$25.3 million, or 11.6%, on a constant currency basis and US Dollar reported profit for the year increased by US$26.2 million, or 12.0%, notwithstanding a year-on-year increase in interest expense of US$36.5 million, primarily as a result of an additional seven months of interest expense associated with the senior secured term loans and revolving credit facility (the "Senior Credit Facilities") utilized to finance the Tumi acquisition, as well as a US$62.2 million increase in the Group's investment in marketing, partially offset by a US$26.9 million decrease in acquisition-related costs.

- Profit attributable to the equity holders increased by US$77.8 million, or 30.4%, on a constant currency basis from the previous year. US Dollar reported profit attributable to the equity holders increased by US$78.6 million, or 30.7%, to US$334.3 million. Excluding the 2017 Net Tax Benefits and the tax benefit related to the SERIP Plan Liquidation in 2016, the Group's profit attributable to equity holders increased by US$23.3 million, or 11.7%, on a constant currency basis and US Dollar reported profit attributable to the equity holders increased by US$24.1 million, or 12.1%, notwithstanding a year-on-year increase in interest expense of US$36.5 million, primarily as a result of an additional seven months of interest expense associated with the Senior Credit Facilities utilized to finance the Tumi acquisition, as well as a US$62.2 million increase in the Group's investment in marketing, partially offset by a US$26.9 million decrease in acquisition-related costs.

- Adjusted Net Income, a non-IFRS measure, increased by US$1.7 million, or 0.7%, on a constant currency basis year-on-year. US Dollar reported Adjusted Net Income increased by US$2.7 million, or 1.0%, to US$260.6 million, with additional profits from Tumi largely offset by a year-on-year increase in interest expense of US$36.5 million, primarily as a result of an additional seven months of interest expense associated with the Senior Credit Facilities utilized to finance the Tumi acquisition, and a US$62.2 million increase in marketing expenses.

- Adjusted EBITDA, a non-IFRS measure, increased by US$88.6 million, or 18.2%, on a constant currency basis from the previous year. US Dollar reported Adjusted EBITDA increased by US$94.7 million, or 19.5%, to US$580.3 million driven by the inclusion of Tumi in the Company's results for the full-year ended December 31, 2017. Excluding Adjusted EBITDA attributable to the Tumi business, US Dollar reported Adjusted EBITDA was US$440.6 million, an increase of US$13.6 million, or 3.2%, on a constant currency basis and by US$19.3 million, or 4.6%, on a US Dollar reported basis, notwithstanding a US$42.8 million increase in marketing expenses (excluding amounts attributable to the Tumi business).

- Adjusted EBITDA margin, a non-IFRS measure, was 16.6% for 2017 compared to 17.3% for 2016. This decrease was primarily attributable to a US$62.2 million increase in marketing expenses discussed above. Excluding amounts attributable to the Tumi business, Adjusted EBITDA margin was 15.6% for 2017 compared to 16.6% for 2016. This decrease was also attributable to the increase in marketing expenses (excluding amounts attributable to the Tumi business) discussed above.

- The Group generated US$341.3 million of cash from operating activities during 2017 compared to US$260.8 million during 2016, an increase of US$80.6 million from the previous year, notwithstanding a US$30.3 million increase in cash paid for interest. As of December 31, 2017, the Group had cash and cash equivalents of US$344.5 million and outstanding financial debt of US$1,953.5 million (excluding deferred financing costs of US$56.6 million), putting the Group in a net debt position of US$1,609.1 million.

- On March 14, 2018, the Company's Board of Directors recommended that a cash distribution in the amount of US$110.0 million, or approximately US$0.0772 per share, be made to the Company's shareholders, a 13.4% increase from the US$97.0 million distribution paid in 2017. The distribution will be subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company.

The Group has presented certain non-IFRS measures in the financial highlights section above because each of these measures provides additional information that management believes is useful in gaining a more complete understanding of the Group's operational performance and of the trends impacting its business to securities analysts, investors and other interested parties. These non-IFRS financial measures, as calculated herein, may not be comparable to similarly named measures used by other companies, and should not be considered as measures comparable to IFRS measures in the Group's consolidated income statements for the year. Non-IFRS measures have limitations as an analytical tool and should not be considered in isolation from, or as a substitute for, an analysis of the Group's financial results as reported under IFRS.

Significant investment in advertising and promotion

The Group continued to make significant investments in marketing, which amounted to approximately 5.9% of net sales during 2017, reflecting its commitment to advertise and promote its brands and products to support sales growth worldwide.

Introduction of new and innovative products to the market

The Group continued to focus on innovation and ensuring that its products reflect local consumer tastes in each region while maintaining consistent brand DNA. Innovation and a regional focus on product development are key drivers of sales growth and are the means to deliver quality and value to the Group's customers.

Assets Related to the Distribution of Tumi in Certain Asian Markets

Certain subsidiaries of the Group assumed direct control of the wholesale and retail distribution of Tumi products in South Korea, Hong Kong, Macau, China, Indonesia and Thailand during the year ended December 31, 2017 resulting in business combinations. The total consideration paid in connection with all such transactions was US$64.9 million.

- On January 4, 2017, the Company's wholly-owned subsidiary in South Korea completed the acquisition of certain assets, including inventory, store fixtures and furniture, as well as rights under retail store leases, from TKI, Inc. ("TKI") with effect from January 1, 2017.

- On April 1, 2017, the Company's wholly-owned subsidiaries in Hong Kong, Macau and China acquired certain assets, including inventory, store fixtures and furniture, as well as rights under retail store leases, from Imaginex Holdings Limited ("Imaginex") with effect from April 1, 2017.

- On May 1, 2017, the Company's non-wholly owned subsidiaries in Indonesia and Thailand assumed direct control of the distribution of Tumi products in each respective country with effect from May 1, 2017.

The consolidated financial results of the Group as of and for the year ended December 31, 2017 include the financial results for such transactions from the respective dates of assuming control of distribution of Tumi products in Asia.

Acquisition of eBags, Inc.

On April 6, 2017, Samsonite LLC and BGS Merger Sub, Inc., both wholly-owned subsidiaries of the Company, entered into a merger agreement with eBags, Inc. ("eBags") and certain of the security holders of eBags, pursuant to which Samsonite LLC agreed to acquire all of the outstanding equity interests of eBags for cash consideration of US$105.0 million on the terms and conditions set out in the merger agreement. The acquisition was completed on May 5, 2017, at which time eBags became an indirect, wholly-owned subsidiary of the Company. The consideration paid under the merger agreement by Samsonite LLC was financed by internal resources of the Group and the Group's revolving credit facility.

eBags is a leading online retailer of bags and related accessories for travel. eBags offers consumers a diverse offering of travel bags and accessories including luggage, backpacks, handbags, business bags, travel accessories and apparel. eBags sells products from a wide variety of leading travel and fashion brands (including many of the brands owned by the Group), as well as its own exclusive private label brand. Founded in 1998, eBags is headquartered in Greenwood Village, Colorado, USA.

The acquisition provided the Group with a strong platform to help accelerate the growth of the Group's direct-to-consumer e-commerce business in North America and worldwide. It also provided the Group with immediate resources and digital know-how to strengthen the Group's existing digital capabilities.

The consolidated financial results of the Group as of and for the year ended December 31, 2017 include eBags' financial results from May 5, 2017, the date of acquisition, through December 31, 2017.

Directors' Report

Acquisition of Non-controlling Interest

On August 18, 2017, a wholly-owned subsidiary of the Company acquired the 30% non-controlling interest in its Australian subsidiary for US$31.9 million in cash, increasing its ownership from 70% to 100%.

Future Prospects

The Group's growth strategy will continue as planned for 2018, with a focus on the following:

- Deploy multiple brands to operate at wider price points in both the travel and non-travel product categories. Within the non-travel product categories, greater emphasis will be placed on products that appeal to female consumers as part of the Company's "Women First" initiative.

- Increase the proportion of net sales from the direct-to-consumer channel by growing the Company's direct-to-consumer e-commerce net sales and through targeted expansion of its bricks-and-mortar retail presence.

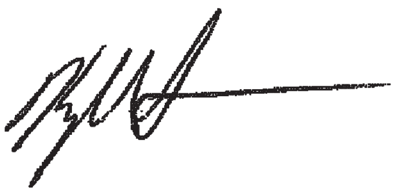
- Sustain the Company's investment in marketing to support the global expansion of *Tumi*, while continuing to drive visibility for *Samsonite, American Tourister* and other brands.

- Leverage the Company's regional management structure, sourcing and distribution expertise and marketing engine to extend its brands into new markets and penetrate deeper into existing channels.

- Continue to invest in research and development to develop lighter and stronger new materials, advanced manufacturing processes, exciting new designs, as well as innovative functionalities that deliver real benefits to consumers.

- Continue to develop the Company into a well-diversified, multi-brand, multi-category and multi-channel luggage, bag and accessories business.

The Group aims to deliver top-line growth, maintain gross margins, increase Adjusted EBITDA margins and enhance shareholder value.



By: Kyle F. Gendreau
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To the Shareholders of
Samsonite International S.A.
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Samsonite International S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How our Audit Addressed the Key Audit Matter
Tax accounting (note 18)	
The Group operates in multiple jurisdictions throughout the world. As a result, the Group is subject to periodic challenges by various national and local tax authorities on a range of tax matters during the normal course of business, including transfer pricing and transaction related tax matters. The identification of potential uncertainties as well as the measurement of the exposure related to such uncertainties requires significant management judgment. For the identification of matters, Management's process includes the review of relevant tax provisions by jurisdiction, information received from taxing authorities based on tax audits, as well as a review of tax returns and historical tax positions taken. For the measurement of potential exposures, management evaluates the tax law associated with the relevant jurisdiction, the amount of tax deduction that may be subject to challenge by the respective taxing authority and the potential for a negotiated settlement. Based on the significant judgments required, we identified these areas of the tax provision as a key audit matter.	We performed the following procedures, amongst others: • We assessed the design and implementation of controls over the identification of potential uncertainties as well as the risk of occurrence and materiality related to such uncertainties; • With the assistance of our tax specialists in the relevant jurisdictions, we evaluated the Company's conclusions with respect to the completeness of the population of potential tax uncertainties; • To test the measurement process, we evaluated, with assistance from our tax specialists, supporting evidence pertaining to management's evaluation of the relevant tax law, the amount of tax deduction that may be subject to challenge by the respective taxing authority and the potential for a negotiated settlement.; • We evaluated transfer pricing documentation completed by third-party specialists engaged by the Group as part of our procedures related to the identification and measurement for tax uncertainties; and • We evaluated the appropriateness of the related disclosures in note 18 to the consolidated financial statements.
Revenue recognition (note 3(n))	
The amount of revenue recognized in the year on the sale of the Groups' products is dependent on the point in time the ownership transfers from the Group to the customer. The transfer of ownership includes consideration of terms and conditions present in customer contracts, purchase orders or sales orders.	We performed the following procedures, amongst others: • With the assistance of our Information Technology (IT) specialists, we tested the IT environment in which material ordering and billing and other relevant support systems reside, including change control procedures in place around systems that bill revenue streams;

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This may also be impacted by local regulatory considerations or mode of transport. Since the Group's sales occur in various countries throughout the world, there is an inherent risk around the consistent application of the Group's revenue recognition policies when considering these factors. Based on these noted risks, we identified revenue transactions recorded at or near year end as a key audit matter.	• We tested the design, implementation and operating effectiveness of certain controls over the revenue cycle to determine the nature, timing and extent of substantive testwork; • We tested a sample of revenue transactions from throughout the year for compliance with the revenue recognition criteria, including transfer of risk of loss. This also included testing a sample of transactions occurring shortly before year end; • We read certain contractual arrangements with key customers enabling us to understand key terms and conditions negotiated, including the provisions for risk of loss, incentives and return rights; • We tested a sample of manual journal entries recorded to revenue during the month ended December 31, 2017; • We tested a sample of credit memos issued subsequent to December 31, 2017; • We performed substantive procedures for year-end reserves for selected markdown allowances, returns and discounts; and • We reconciled, on a sample basis, cash receipts per bank statements to the customer invoice and purchase order.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated management report but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report this fact. We have nothing to report in this regard.

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Responsibilities of the Board of Directors and Those Charged with Governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group`s financial reporting process.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

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— Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

Luxembourg, 14 March 2018

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Jean-Manuel Séris

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Consolidated Income Statements

(Expressed in thousands of US Dollars, except per share data)	Note	Year ended December 31, 2017	2016
Net sales	4	**3,490,921**	2,810,497
Cost of sales		**(1,530,965)**	(1,289,545)
Gross profit		**1,959,956**	1,520,952
Distribution expenses		**(1,072,559)**	(818,432)
Marketing expenses		**(205,986)**	(143,785)
General and administrative expenses		**(239,933)**	(177,933)
Other expenses	5(c)	**(17,595)**	(49,601)
Operating profit		**423,883**	331,201
Finance income	19	**1,310**	1,253
Finance costs	19	**(93,946)**	(59,789)
Net finance costs	19	**(92,636)**	(58,536)
Profit before income tax		**331,247**	272,665
Income tax benefit	18	**24,194**	2,160
Profit for the year		**355,441**	274,825
Profit attributable to equity holders		**334,256**	255,667
Profit attributable to non-controlling interests	23(b)	**21,185**	19,158
Profit for the year		**355,441**	274,825
Earnings per share			
Basic earnings per share *(Expressed in US Dollars per share)*	12	**0.236**	0.181
Diluted earnings per share *(Expressed in US Dollars per share)*	12	**0.234**	0.181

The accompanying notes form part of the consolidated financial statements.

Consolidated Statements of Comprehensive Income

(Expressed in thousands of US Dollars)	Note	Year ended December 31, **2017**	2016
Profit for the year		**355,441**	274,825
Other comprehensive income (loss):			
Items that will never be reclassified to profit or loss:			
Deferred tax impact of the SERIP Plan Liquidation	14(b), 18(c)	**—**	(53,899)
Remeasurements on defined benefit plans, net of tax	14, 18(c)	**(1,043)**	(8,354)
		(1,043)	(62,253)
Items that are or may be reclassified subsequently to profit or loss:			
Changes in fair value of foreign exchange forward contracts, net of tax	18(c)	**(4,276)**	(657)
Changes in fair value of interest rate swaps, net of tax	13(a), 18(c)	**6,695**	11,431
Foreign currency translation gains (losses) for foreign operations	19, 18(c)	**50,342**	(23,118)
		52,761	(12,344)
Other comprehensive income (loss)		**51,718**	(74,597)
Total comprehensive income for the year		**407,159**	200,228
Total comprehensive income attributable to equity holders		**383,237**	181,352
Total comprehensive income attributable to non-controlling interests		**23,922**	18,876
Total comprehensive income for the year		**407,159**	200,228

The accompanying notes form part of the consolidated financial statements.

Consolidated Statements of Financial Position

(Expressed in thousands of US Dollars)	Note	December 31, 2017	2016
Non-Current Assets			
Property, plant and equipment	6	**308,047**	281,990
Goodwill	7(a)	**1,343,021**	1,238,910
Other intangible assets	7(b)	**1,792,757**	1,733,061
Deferred tax assets	18(d)	**66,504**	56,007
Derivative financial instruments	13(a)	**24,497**	16,149
Other assets and receivables	8(a)	**40,202**	32,926
Total non-current assets		**3,575,028**	3,359,043
Current Assets			
Inventories	9	**582,994**	421,334
Trade and other receivables	10	**411,457**	357,790
Prepaid expenses and other assets	8(b)	**156,494**	142,833
Cash and cash equivalents	11	**344,452**	368,540
Total current assets		**1,495,397**	1,290,497
Total assets		**5,070,425**	4,649,540
Equity and Liabilities			
Equity:			
Share capital	23(a)	**14,218**	14,113
Reserves	23(a)	**1,777,270**	1,452,941
Total equity attributable to equity holders		**1,791,488**	1,467,054
Non-controlling interests	23(b)	**40,890**	43,933
Total equity		**1,832,378**	1,510,987
Non-Current Liabilities			
Loans and borrowings	13(a)	**1,744,105**	1,805,561
Employee benefits	14	**23,961**	28,680
Non-controlling interest put options	23(b)	**55,674**	64,746
Deferred tax liabilities	18(d)	**320,924**	456,540
Other liabilities		**10,754**	7,140
Total non-current liabilities		**2,155,418**	2,362,667
Current Liabilities			
Loans and borrowings	13(b)	**83,610**	23,994
Current portion of long-term debt	13(b)	**69,250**	45,813
Employee benefits	14	**95,053**	78,680
Trade and other payables	17	**737,077**	533,772
Current tax liabilities	18	**97,639**	93,627
Total current liabilities		**1,082,629**	775,886
Total liabilities		**3,238,047**	3,138,553
Total equity and liabilities		**5,070,425**	4,649,540
Net current assets		**412,768**	514,611
Total assets less current liabilities		**3,987,796**	3,873,654

The accompanying notes form part of the consolidated financial statements.

Consolidated Statements of Changes in Equity

(Expressed in thousands of US Dollars, except number of shares)	Note	Number of shares	Share capital	Reserves: Additional paid-in capital	Reserves: Translation reserve	Reserves: Other reserves	Reserves: Retained earnings	Total equity attributable to equity holders	Non-controlling interests	Total equity
Year ended December 31, 2016:										
Balance, January 1, 2016		1,409,833,525	14,098	971,221	(71,543)	(53,068)	498,846	1,359,554	39,832	1,399,386
Profit for the year		—	—	—	—	—	255,667	255,667	19,158	274,825
Other comprehensive income (loss):										
Liquidation of defined benefit plan	14(b)	—	—	—	—	141,747	(141,747)	—	—	—
Deferred tax impact of the SERIP Plan Liquidation	14(b)	—	—	—	—	(53,899)	—	(53,899)	—	(53,899)
Remeasurements on defined benefit plans, net of tax	14(b), 18(c)	—	—	—	—	(8,384)	—	(8,384)	30	(8,354)
Changes in fair value of foreign exchange forward contracts, net of tax	18(c)	—	—	—	—	(628)	—	(628)	(29)	(657)
Changes in fair value of interest rate swaps, net of tax	13(a), 18(c)	—	—	—	—	11,431	—	11,431	—	11,431
Foreign currency translation losses	19, 18(c)	—	—	—	(22,835)	—	—	(22,835)	(283)	(23,118)
Total comprehensive income (loss) for the year		—	—	—	(22,835)	90,267	113,920	181,352	18,876	200,228
Transactions with owners recorded directly in equity:										
Change in fair value of put options included in equity	21	—	—	—	—	—	202	202	—	202
Cash distributions to equity holders	12	—	—	—	—	—	(93,000)	(93,000)	—	(93,000)
Share-based compensation expense	14(a)	—	—	—	—	15,490	—	15,490	—	15,490
Exercise of stock options	14(a)	1,455,376	15	4,830	—	(1,389)	—	3,456	—	3,456
Dividends paid to non-controlling interests	12	—	—	—	—	—	—	—	(14,775)	(14,775)
Balance, December 31, 2016		1,411,288,901	14,113	976,051	(94,378)	51,300	519,968	1,467,054	43,933	1,510,987

The accompanying notes form part of the consolidated financial statements.

Consolidated Statements of Changes in Equity *(continued)*

(Expressed in thousands of US Dollars, except number of shares)	Note	Number of shares	Share capital	Reserves: Additional paid-in capital	Reserves: Translation reserve	Reserves: Other reserves	Reserves: Retained earnings	Total equity attributable to equity holders	Non-controlling interests	Total equity
Year ended December 31, 2017:										
Balance, January 1, 2017		**1,411,288,901**	**14,113**	**976,051**	**(94,378)**	**51,300**	**519,968**	**1,467,054**	**43,933**	**1,510,987**
Profit for the year		—	—	—	—	—	**334,256**	**334,256**	**21,185**	**355,441**
Other comprehensive income (loss):										
Remeasurements on defined benefit plans, net of tax	14(b), 18(c)	—	—	—	—	**(1,086)**	—	**(1,086)**	**43**	**(1,043)**
Changes in fair value of foreign exchange forward contracts, net of tax	18(c)	—	—	—	—	**(4,276)**	—	**(4,276)**	—	**(4,276)**
Changes in fair value of interest rate swaps, net of tax	13(a), 18(c)	—	—	—	—	**6,695**	—	**6,695**	—	**6,695**
Foreign currency translation gains	19, 18(c)	—	—	—	**47,648**	—	—	**47,648**	**2,694**	**50,342**
Total comprehensive income for the year		—	—	—	**47,648**	**1,333**	**334,256**	**383,237**	**23,922**	**407,159**
Transactions with owners recorded directly in equity:										
Change in fair value of put options included in equity	21	—	—	—	—	—	**(3,167)**	**(3,167)**	—	**(3,167)**
Cash distributions to equity holders	12	—	—	—	—	—	**(97,000)**	**(97,000)**	—	**(97,000)**
Reserve for non-distributable profits		—	—	—	—	**8,831**	**(8,831)**	—	—	—
Share-based compensation expense	14(a)	—	—	—	—	**20,892**	—	**20,892**	—	**20,892**
Tax effect of outstanding stock options		—	—	—	—	**4,102**	—	**4,102**	—	**4,102**
Exercise of stock options	14(a)	**10,522,201**	**105**	**38,517**	—	**(10,509)**	—	**28,113**	—	**28,113**
Acquisition of non-controlling interest	23(b)	—	—	—	**(497)**	—	**(11,246)**	**(11,743)**	**(4,908)**	**(16,651)**
Dividends paid to non-controlling interests	12	—	—	—	—	—	—	—	**(22,057)**	**(22,057)**
Balance, December 31, 2017		**1,421,811,102**	**14,218**	**1,014,568**	**(47,227)**	**75,949**	**733,980**	**1,791,488**	**40,890**	**1,832,378**

The accompanying notes form part of the consolidated financial statements.

Consolidated Statements of Cash Flows

(Expressed in thousands of US Dollars)	Note	Year ended December 31, 2017	2016
Cash flows from operating activities:			
Profit for the year		**355,441**	274,825
Adjustments to reconcile profit for the year to net cash generated from operating activities:			
Depreciation	6	**85,117**	66,785
Amortization of intangible assets	7(b)	**32,808**	22,456
Net change in defined benefit pension plans	14(b)	**(5,166)**	(21,652)
Change in fair value of put options included in finance costs	19, 21(g)	**2,966**	9,119
Non-cash share-based compensation	14(a)	**20,892**	15,490
Interest expense on financial liabilities	19	**80,189**	43,691
Income tax benefit	18	**(24,194)**	(2,160)
		548,053	408,554
Changes in operating assets and liabilities (excluding allocated purchase price in business combinations):			
Trade and other receivables		**(41,491)**	(55,132)
Inventories		**(121,868)**	31,469
Other current assets		**(9,687)**	(9,719)
Trade and other payables		**155,452**	(8,363)
Other assets and liabilities		**(3,168)**	5,204
Cash generated from operating activities		**527,291**	372,013
Interest paid		**(66,318)**	(36,055)
Income tax paid		**(119,625)**	(75,203)
Net cash generated from operating activities		**341,348**	260,755
Cash flows from investing activities:			
Purchases of property, plant and equipment	6	**(94,632)**	(69,579)
Other intangible asset additions	7	**(14,334)**	(6,197)
Acquisition of businesses, net of cash acquired	5	**(169,895)**	(1,685,281)
Other proceeds		**1,406**	1,691
Net cash used in investing activities		**(277,455)**	(1,759,366)
Cash flows from financing activities:			
Proceeds from issuance of Senior Credit Facilities	13	**—**	1,925,000
Payments on current portion of long-term debt	13	**(45,813)**	(9,500)
Proceeds (payments) of other current loans and borrowings, net	13	**50,705**	(45,211)
Acquisition of non-controlling interest	23(b)	**(31,856)**	—
Payment of deferred financing costs	13	**(5,371)**	(69,499)
Proceeds from the exercise of share options	14	**38,622**	4,845
Cash distributions to equity holders	12	**(97,000)**	(93,000)
Dividend payments to non-controlling interests	12	**(22,057)**	(14,775)
Net cash (used in) generated from financing activities		**(112,770)**	1,697,860
Net (decrease) increase in cash and cash equivalents		**(48,877)**	199,249
Cash and cash equivalents, at January 1		**368,540**	180,803
Effect of exchange rate changes on cash and cash equivalents		**24,789**	(11,512)
Cash and cash equivalents, at December 31	11	**344,452**	368,540

The accompanying notes form part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Background

Samsonite International S.A. (the "Company"), together with its consolidated subsidiaries (the "Group"), is principally engaged in the design, manufacture, sourcing and distribution of luggage, business and computer bags, women's bags, outdoor and casual bags, travel accessories and slim protective cases for personal electronic devices throughout the world, primarily under the *Samsonite*®, *Tumi*®, *American Tourister*®, *Speck*®, *High Sierra*®, *Gregory*®, *Lipault*®, *Kamiliant*®, *Hartmann*® and *eBags*® brand names as well as other owned and licensed brand names. The Group sells its products through a variety of wholesale distribution channels, through its company-operated retail stores and through e-commerce. The Group sells its products in North America, Asia, Europe and Latin America.

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company was incorporated in Luxembourg on March 8, 2011 as a public limited liability company (*a société anonyme*), whose registered office is 13–15 Avenue de la Liberté, L-1931 Luxembourg.

Details of the principal subsidiaries of the Group are set out in note 23.

2. Basis of Preparation

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which collective term includes all International Accounting Standards ("IAS") and related interpretations, as issued by the International Accounting Standards Board (the "IASB").

Until December 31, 2012, the Company was preparing consolidated financial statements in accordance with IFRS as adopted by the European Union ("EU"). On October 30, 2013, the Company obtained from the Luxembourg Ministry of Justice, a 3-year authorization to prepare consolidated accounts under IFRS as adopted by the IASB instead of IFRS as adopted by the EU provided that a reconciliation of the equity and result for the year as reported to the equity and result for the year that would have been reported under Luxembourg legal and regulatory requirements or under IFRS as adopted by the EU is disclosed in the consolidated financial statements of the Company. In December 2015, the Company received an extension of such authorization through the period ending December 31, 2018.

A reconciliation of the equity and result for the year as reported to the equity and result for the year that would have been reported under IFRS as adopted by the EU is disclosed below.

The IASB has issued a number of new and revised IFRS. For the purpose of preparing the consolidated financial statements, the Group has adopted all of these new and revised IFRS for all periods presented, except for any new standards or interpretations that are not yet mandatorily effective for the accounting period ended December 31, 2017. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended December 31, 2017 are set out in note 3(u).

The accounting policies below, where material, have been applied consistently to all periods presented in the consolidated financial statements.

The consolidated financial statements were authorized for issue by the Board of Directors (the "Board") on March 14, 2018.

2. Basis of Preparation *(continued)*

(a) Statement of Compliance *(continued)*

(Expressed in thousands of US Dollars)	As of December 31, 2017	2016
Equity under IFRS as issued by the IASB	**1,832,378**	1,510,987
Reconciling item		
None	**—**	—
Equity under IFRS as adopted by the EU	**1,832,378**	1,510,987

	For the year ended December 31, 2017	2016
Profit for the year under IFRS as issued by the IASB	**355,441**	274,825
Reconciling item		
None	**—**	—
Profit for the year under IFRS as adopted by the EU	**355,441**	274,825

As mentioned in note 2(e), Changes in Accounting Policies, the IASB has issued a number of new, revised and amended IFRS. For the purpose of preparing the consolidated financial statements for the year ended December 31, 2017, the following revised standards became effective.

IAS 7, *Statement of Cash Flows*, was amended by requiring new disclosures that help users to evaluate changes in liabilities arising from financing activities, including both cash flow and non-cash flow changes. The Group has presented reconciliations between the opening and closing balances for liabilities with changes arising from financing activities for the years ended December 31, 2017 and December 31, 2016 in note 13(c) of the 2017 consolidated financial statements.

IAS 12, *Income Taxes*, was amended to provide requirements on the recognition and measurement of current or deferred tax liabilities or assets and clarify the requirements on recognition of deferred tax assets for unrealized losses. The adoption of this standard did not have a significant impact on the Group.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statements of financial position as set out in the accounting policies below:

- derivative financial instruments are measured at fair value.
- the defined benefit liability is recognized as the net total of the plan assets, plus recognized past service cost and recognized actuarial losses, less recognized actuarial gains and the present value of the defined benefit obligation.

2. Basis of Preparation *(continued)*

(c) Functional and Presentation Currency

The financial statements are measured using the currency of the primary economic environment in which the Group operates ("functional currency"). The functional currencies of the significant subsidiaries within the Group are the currencies of the primary economic environment and key business processes of these subsidiaries and include, but are not limited to, United States Dollars, Euros, Renminbi, South Korean Won, Japanese Yen and Indian Rupee.

Unless otherwise stated, the consolidated financial statements are presented in the United States Dollar ("USD"), which is the functional and presentation currency of the Company.

(d) Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies and to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. No significant changes occurred during the current reporting period of estimates reported in prior periods.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 3(n) — Revenue recognition
- Note 5 — Business combinations
- Note 6 — Property, plant and equipment
- Note 7 — Goodwill and other intangible assets
- Note 9 — Inventories
- Note 10 — Trade and other receivables
- Note 14(a) — Share-based payment arrangements
- Note 14(b) — Pension plans and defined benefit schemes
- Note 18 — Income taxes
- Note 21(g) — Fair value of financial instruments
- Note 23(b) — Non-controlling interests and acquisition of non-controlling interests

2. **Basis of Preparation** *(continued)*

(d) Use of Judgments, Estimates and Assumptions *(continued)*

Information about assumptions and estimation uncertainties that may have an effect on the consolidated financial statements resulting in a material adjustment within the next financial year is included in the following notes:

- Note 5 — Business combinations
- Note 7 — Goodwill and other intangible assets
- Note 14(b) — Pension plans and defined benefit schemes
- Note 16 — Contingent liabilities
- Note 18 — Income taxes
- Note 21 — Financial risk management and financial instruments

(e) Changes in Accounting Policies

The IASB has issued a number of new, revised and amended IFRS. For the purpose of preparing the consolidated financial statements for the year ended December 31, 2017, the following revised standards became effective.

Amendments to IAS 7, Statement of Cash Flows

IAS 7, *Statement of Cash Flows*, was amended by requiring new disclosures that help users to evaluate changes in liabilities arising from financing activities, including both cash flow and non-cash flow changes. The Group has presented reconciliations between the opening and closing balances for liabilities with changes arising from financing activities for the years ended December 31, 2017 and December 31, 2016 in note 13(c) of the 2017 consolidated financial statements.

Amendments to IAS 12, Income Taxes

IAS 12, *Income Taxes*, was amended to provide requirements on the recognition and measurement of current or deferred tax liabilities or assets and clarify the requirements on recognition of deferred tax assets for unrealized losses. The adoption of this standard did not have a significant impact on the Group.

3. **Summary of Significant Accounting Policies**

The accounting policies set out below have been applied consistently by the Group to all periods presented, where material, in these consolidated financial statements.

(a) Principles of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial information of subsidiaries is included in the consolidated financial statements from the date on which control commences until the date on which control ceases. All significant intercompany balances and transactions have been eliminated in consolidation.

3. Summary of Significant Accounting Policies *(continued)*

(a) Principles of Consolidation (continued)

(ii) Non-controlling Interests

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from total equity attributable to equity holders of the Company. Non-controlling interests in the results of the Group are presented in the consolidated income statements and consolidated statements of comprehensive income as an allocation of the total profit for the year and total comprehensive income for the year between non-controlling interests and equity holders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with the resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the new cost basis on initial recognition of a financial asset or an associate.

(iii) Business Combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is obtained by the Group. In assessing control, the Group takes into consideration substantive potential voting rights.

The Group measures goodwill at the acquisition date as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree, over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured at the acquisition date. If the net fair value is greater than the consideration transferred, then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships, if applicable. Such amounts generally are recognized in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

3. **Summary of Significant Accounting Policies** *(continued)*

(a) Principles of Consolidation *(continued)*

(iii) Business Combinations *(continued)*

When share-based payment awards ("replacement awards") are required to be exchanged for awards held by the acquiree's employees ("acquiree's awards") and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

(b) Foreign Currency Translation

(i) Foreign Currency Transactions

Foreign currency transactions are translated using foreign exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of qualifying cash flow hedges, which are recognized in other comprehensive income. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign Operations

The assets and liabilities of the Group's foreign subsidiaries are translated into USD at period end exchange rates. Equity accounts denominated in foreign currencies are translated into USD at historical exchange rates. Income and expense accounts are translated at average monthly exchange rates. All foreign currency differences arising from the translation of the financial statements of foreign operations are recorded in the foreign currency translation reserve in the consolidated statements of financial position. The net exchange gains or losses resulting from translating at varied exchange rates are recorded as a component of other comprehensive income and accumulated in equity and attributed to non-controlling interests, as appropriate.

(c) Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group's segment reporting is based on geographical areas, representative of how the Group's business is managed and its operating results are evaluated. The Group's operations are organized as follows: (i) "North America"; (ii) "Asia"; (iii) "Europe"; (iv) "Latin America", and (v) "Corporate".

3. Summary of Significant Accounting Policies *(continued)*

(c) Segment Reporting *(continued)*

Segment results that are reported to management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, income tax assets and liabilities, and licensing activities from the license of brand names owned by the Group.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

(d) Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Assets under finance leases are stated at the present value of the future minimum lease payments. Improvements which extend the life of an asset are capitalized. Maintenance and repair costs are expensed as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

Gains and losses arising from the retirement or disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in profit or loss on the date of retirement or disposal.

Depreciation and amortization are provided on the straight-line method over the estimated useful life of the asset or the lease term, if applicable, as follows:

• Buildings	20 to 30 years
• Machinery, equipment and other	3 to 10 years
• Leasehold improvements	Lesser of useful life or the lease term

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate. Land owned by the Group with freehold interest is not depreciated.

(e) Goodwill and Other Intangible Assets

(i) Goodwill

Goodwill that arises upon the acquisition of a business is included in intangible assets. For measurement of goodwill at initial recognition, see note 3(a)(iii). Subsequent to initial recognition, goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, which are expected to benefit from the synergies of the combination and are tested annually for impairment.

3. Summary of Significant Accounting Policies *(continued)*

(e) Goodwill and Other Intangible Assets *(continued)*

(ii) Intangible Assets (Other Than Goodwill)

Intangible assets primarily consist of tradenames, customer relationships, patents, key money and computer software costs. No recognized intangible assets have been generated internally.

Intangible assets which are considered to have an indefinite life, such as tradenames, are measured at cost less accumulated impairment losses and are not amortized but are tested for impairment at least annually or more frequently if events or circumstances indicate that the asset may be impaired. *Samsonite*®, *Tumi*®, *American Tourister*®, *Speck*®, *High Sierra*®, *Gregory*®, *Lipault*®, *Kamiliant*®, *Hartmann*® and *eBags*® are the significant tradenames of the Group. It is anticipated that the economic benefits associated with these tradenames will continue for an indefinite period. The conclusion that the tradenames are an indefinite lived asset is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible assets with finite lives as set out below.

Intangible assets which have a finite life are amortized and measured at cost less accumulated amortization and accumulated impairment losses. Amortization expense is recognized in profit or loss on a straight-line basis over the estimated useful lives from the date that they are available for use, as this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets. The range of estimated useful lives are as follows:

- Customer relationships — 10 to 20 years
- Key money — 3 to 10 years
- Patents — 1 to 10 years

The Group capitalizes the costs of purchased software and costs to configure, install and test software and includes these costs within other intangible assets in the consolidated statements of financial position. Software assessment and evaluation, process reengineering, data conversion, training, maintenance and ongoing software support costs are expensed as incurred.

Intangible assets having a finite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Estimated useful lives of intangible assets are reviewed annually and adjusted if applicable.

(f) Impairment

(i) Financial Assets (Including Trade and Other Receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

3. Summary of Significant Accounting Policies *(continued)*

(f) Impairment *(continued)*

(i) Financial Assets (Including Trade and Other Receivables) *(continued)*

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

In assessing collective impairment, the Group uses historical trends, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Impairment losses that have been recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

(ii) Non-financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For those CGUs or group of CGUs to which goodwill has been allocated and intangible assets that have indefinite useful lives, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of CGUs that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment before aggregation ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes to the asset or CGU.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset may be allocated.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the group of units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

3. **Summary of Significant Accounting Policies** *(continued)*

(f) Impairment *(continued)*

(ii) Non-financial Assets *(continued)*

An impairment loss that has been recognized on goodwill is not reversed in subsequent periods if estimates used to determine the recoverable amount change. For other assets, impairment losses that have been recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is calculated using the weighted average method. The cost of inventory includes expenditures incurred in acquiring the inventories, production costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Cost also may include transfers from other accumulated comprehensive income (loss) of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. 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. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(h) Trade and Other Receivables

Trade accounts receivable are recorded at invoiced amounts, less estimated allowances for trade terms, sales incentive programs, discounts, markdowns, chargebacks and returns as discussed below in *Revenue Recognition*. Royalty receivables are recorded at amounts earned based on the licensees' sales of licensed products, subject in some cases to contractual minimum royalties due from individual licensees. The Group maintains an allowance for doubtful accounts for estimated losses that will result from the inability of customers to make required payments. The allowance is determined based on review of specific customer accounts where collection is doubtful, as well as an assessment of the collectability of total receivables considering the aging of balances, historical and anticipated trends, and current economic conditions. All accounts are subject to ongoing review of ultimate collectability. Receivables are written off against the allowance when it is probable the amounts will not be recovered.

(i) Cash and Cash Equivalents

Cash and cash equivalents includes cash held at banks, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

3. Summary of Significant Accounting Policies *(continued)*

(j) Interest-bearing Borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and the redemption value being recognized in profit or loss over the period of the borrowings, together with any interest payable and deferred financing costs, using the effective interest method.

(k) Financial Instruments

(i) Non-derivative Financial Assets and Liabilities

The Group initially recognizes receivables and deposits on the date that they are originated.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statements of financial position when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, receivables are measured at cost, less any impairment losses. Receivables are comprised of trade and other receivables.

The Group initially recognizes debt instruments issued on the date that they are originated. The Group derecognizes a financial liability when its contractual obligations are discharged, canceled or expire.

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables. Both loans and borrowings and trade and other payables are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to their initial recognition, loans and borrowings are accounted for at amortized cost using the effective interest method.

(ii) Derivative Financial Instruments

The Group holds derivative financial instruments to hedge certain of its foreign currency risk and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. For derivatives designated in hedging relationships, changes in the fair value are either offset through profit or loss against the change in fair value of the hedged item attributable to the risk being hedged or recognized in hedging reserves that are reported directly in equity (deficit) until the hedged item is recognized in profit or loss and, at that time, the related hedging gain or loss is removed from equity (deficit) and is used to offset the change in value of the hedged item.

3. Summary of Significant Accounting Policies *(continued)*

(k) Financial Instruments *(continued)*

(ii) Derivative Financial Instruments *(continued)*

Other than agreements with holders of non-controlling interests, there were no derivatives embedded in host contracts during the periods presented. The Group has certain put option agreements that are classified as financial liabilities in accordance with IAS 32, *Financial Instruments: Presentation* ("IAS 32"), in the consolidated statements of financial position, as the Group has a potential obligation to settle the option in cash in the future. The amount recognized initially is the fair value of the redeemable non-controlling interests and subsequently remeasured at each reporting date based on a price to earnings multiple discounted to the reporting date. For agreements entered into prior to the adoption of IFRS 3, *Business Combinations* ("IFRS 3"), on January 1, 2008, subsequent changes in liabilities are recognized in profit or loss. For agreements entered into after January 1, 2008, subsequent changes in liabilities are recognized through equity.

Derivatives are recognized initially at fair value and any attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

The Group periodically enters into derivative contracts that it designates as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). For all hedging relationships, the Group formally documents the hedging relationship and its risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness. The Group also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items by determining whether the actual results of each hedge are within a range of 80% to 125%. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that ultimately could affect reported profit or loss.

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other accumulated comprehensive income (loss) and presented in the hedging reserve in equity, and reclassified into profit or loss in the same period or periods during which the hedged transaction affects profit or loss. Gains and losses on the derivative representing hedge ineffectiveness are excluded from the assessment of effectiveness and are recognized immediately in profit or loss.

The Group discontinues hedge accounting prospectively when it determines that the derivative is no longer effective in offsetting cash flows of the hedged item, the derivative expires or is sold, terminated, or exercised, the derivative is de-designated as a hedging instrument because it is unlikely that a forecasted transaction will occur, or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

When a derivative financial instrument is not held for trading, and is not designated in a qualified hedging relationship, all changes in fair value are recognized immediately through profit or loss. If the forecasted transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

3. Summary of Significant Accounting Policies *(continued)*

(k) Financial Instruments *(continued)*

(iii) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

(l) Employee Benefits

(i) Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is based on a high grade bond yield curve under which the benefits were projected and discounted at spot rates along the curve. The discount rate is then determined as a single rate yielding the same present value. IAS 19, *Employee Benefits* ("IAS19") limits the measurement of the defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling, which is defined as the present value of any economic benefits available in the form of refunds from the plan or redirections in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Certain subsidiaries of the Group have pension plans and post-retirement health benefit plans which provide retirement benefits for eligible employees, generally measured by length of service, compensation and other factors. The Group follows the recognition, measurement, presentation and disclosure provisions of IAS 19. Under IAS 19, remeasurements, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognized immediately in other comprehensive income and are not subsequently reclassified into profit or loss. The measurement date for all pension and other employee benefit plans is the Group's fiscal year end.

Under IAS 19, the Group determines the net interest expense (income) for the period on the net defined benefit liability (asset) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period. Consequently, the net interest cost on the net defined benefit liability (asset) now comprises:

- Interest cost on the defined benefit obligation;
- Interest income on plan assets; and
- Interest on the effect of asset ceiling.

3. **Summary of Significant Accounting Policies** *(continued)*

***(l) Employee Benefits** (continued)*

(iii) Other Long-term Employee Benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is based on a high grade bond yield curve under which the benefits are projected and discounted at spot rates along the curve. The discount rate is then determined as a single rate yielding the same present value. Any actuarial gains and losses are recognized in other comprehensive income in the period in which they arise. Actuarial valuations are obtained annually at the end of the fiscal year.

(iv) Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

(v) Short-term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(vi) Share-based Compensation

The grant-date fair value of equity-settled share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For equity-settled share-based payment awards with market performance conditions or non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(m) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years.

3. Summary of Significant Accounting Policies *(continued)*

(m) Income Taxes *(continued)*

The Group recognizes a tax reserve for uncertain positions at the most likely outcome when it is more likely than not there will be a future outflow of funds. The Group measures the most likely outcome, or in the event multiple outcomes are possible, on the expected value method. The Group records interest and penalties related to these uncertain tax positions in income tax expense in the consolidated income statements.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, if they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Revenue Recognition

Revenues from wholesale product sales are recognized when (i) evidence of a sales arrangement at a fixed or determinable price exists (usually in the form of a sales order), (ii) collectability is reasonably assured, and (iii) title transfers to the customer. Provisions are made for estimates of markdown allowances, warranties, returns and discounts at the time product sales are recognized. Shipping terms are predominately FOB shipping point (title transfers to the customer at the Group's shipping location) except in certain Asian countries where title transfers upon delivery to the customer. In all cases, sales are recognized upon transfer of title to customers. Revenues from retail sales are recognized at the point of sale to consumers. Revenue excludes collected sales taxes.

Revenue is measured at the fair value of the consideration received or receivable. Provided that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss.

The Group licenses its brand names to certain third parties. Net sales in the accompanying consolidated income statements include royalties earned on licensing agreements with third parties, for which revenue is earned and recognized when the third party makes a sale of a branded product of the Group.

3. Summary of Significant Accounting Policies *(continued)*

(o) Cost of Sales, Distribution, Marketing and General and Administrative Expenses

The Group includes the following types of costs in cost of sales: direct product purchase and manufacturing costs, duties, freight, receiving, inspection, internal transfer costs, depreciation and procurement and manufacturing overhead. The impairment of inventories and the reversals of such impairments are included in cost of sales during the period in which they occur.

Distribution expenses are primarily comprised of rent, employee benefits, customer freight, depreciation, amortization, warehousing costs and other selling expenses.

Marketing expenses consist of advertising and promotional activities. Costs for producing media advertising are deferred until the related advertising first appears in print or television media, at which time such costs are expensed. All other advertising costs are expensed as incurred. Cooperative advertising costs associated with customer support programs giving the Group an identifiable advertising benefit equal to at least the amount of the advertising allowance are accrued and charged to marketing expenses when the related revenues are recognized. From time to time, the Group offers various types of incentive arrangements such as cash or payment discounts, rebates or free products. All such incentive arrangements are accrued and reduce reported revenues when incurred.

General and administrative expenses consist of management salaries and benefits, information technology costs, and other costs related to administrative functions and are expensed as incurred.

(p) Finance Income and Costs

Finance income comprises interest income on funds invested, gains on hedging instruments that are recognized in profit or loss and reclassifications of net gains previously recognized in other comprehensive income. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings (including the amortization of deferred financing costs), unwinding of the discount on provisions, changes in the fair value of put options associated with the Group's majority-owned subsidiaries, net gains (losses) on hedging instruments that are recognized in profit or loss and reclassifications of net losses previously recognized in other comprehensive income. Foreign currency gains and losses are reported as finance costs on a net basis.

Costs incurred in connection with the issuance of debt instruments are included in the initial measurement of the related financial liabilities in the consolidated statements of financial position. Such deferred financing costs are amortized using the effective interest method over the term of the related debt obligation.

(q) Earnings Per Share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity shareholders of the Company by the weighted average number of ordinary shares outstanding for the period, adjusted for any shares held by the Group. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary equity shareholders and the weighted average number of ordinary shares outstanding, adjusted for any shares held by the Group, for the effects of all potentially dilutive ordinary shares, which comprise share options granted to employees, as applicable.

3. Summary of Significant Accounting Policies *(continued)*

(r) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement, regardless of whether the arrangement takes the legal form of a lease.

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and the leased assets are not recognized in the Group's consolidated statements of financial position.

The Group leases retail stores, distribution centers and office facilities. Initial terms of the leases range from one to twenty years. Most leases provide for monthly fixed minimum rentals or contingent rentals based upon sales in excess of stated amounts and normally require the Group to pay real estate taxes, insurance, common area maintenance costs and other occupancy costs. The Group recognizes rent expense for leases that include scheduled and specified escalations of the minimum rent on a straight-line basis over the base term of the lease. Any difference between the straight-line rent amount and the amount payable under the lease is included in other liabilities in the consolidated statements of financial position. Contingent rental payments are expensed as incurred.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(s) Provisions and Contingent Liabilities

Provisions are recognized for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. Summary of Significant Accounting Policies *(continued)*

(t) Related Parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group.

(ii) An entity is related to the Group if any of the following conditions apply:

(1) the entity and the Group are members of the same group (which means that each parent, the subsidiary and fellow subsidiary is related to the others);

(2) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(3) both entities are joint ventures of the same third party;

(4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(6) the entity is controlled or jointly controlled by a person identified in (i);

(7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(8) the entity, or any member of a group of which it is part, provides key management services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) New Standards and Interpretations

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2017, and have not been applied in preparing these consolidated financial statements.

In July 2014, the IASB issued the final element of its comprehensive response to the financial crisis by issuing IFRS 9, *Financial Instruments* ("IFRS 9"). The improvements introduced by IFRS 9 include new principles for classification and measurement based on cash flows characteristics and business model, a single forward-looking expected loss impairment model and a substantially revised approach to hedge accounting aligning it more with risk management strategies. IFRS 9 will come into effect on January 1, 2018 with early application permitted. The Group will adopt IFRS 9 as of January 1, 2018 and will not have a material impact on its financial performance and condition.

3. **Summary of Significant Accounting Policies** *(continued)*

(u) New Standards and Interpretations *(continued)*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 sets out requirements for recognizing revenue that applies to all contracts with customers and introduces a five step approach with control being the basic principal underpinning the new model. IFRS 15 also requires enhanced qualitative and quantitative revenue-related disclosures. IFRS 15 is effective as of January 1, 2018 with earlier application permitted. The Group will adopt IFRS 15 as of January 1, 2018. The Group has evaluated the impact of the new standard comparing the current accounting policies and practices to the requirements of the new standard. The Group analyzed the timing of transfer of control, right of return and variable consideration related to the sales of its products under IFRS 15. This analysis included stocking fees, rebates, loyalty programs, gift cards, customized products and warranties. The Company also analyzed its licensing agreements and cooperative advertising programs under IFRS 15. The Group has warranties that vary amongst brands and product categories, but does not offer any multi-period maintenance or extended warranty agreements. Under current accounting policies, revenue is recorded when products ship with an estimated warranty accrual recorded for the estimated future warranty costs. The Group does not expect any change in this accounting under the new revenue recognition standard. Assurance-type warranties on the Group's products do not provide an additional service to the customer (i.e., they are not separate performance obligations). Based on the analysis performed, the Group has determined that the impact of adopting IFRS 15 on the amount and timing of the revenue recognized in the consolidated financial statements from the adoption of the new standard is not material.

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"). The guidance amends the existing accounting standards for lease accounting, including the requirement that lessees recognize right of use assets and lease liabilities for leases with terms greater than twelve months on the statements of financial position. Under the new guidance, lessor accounting is largely unchanged. This guidance is effective for fiscal years, and for interim periods within those fiscal years, beginning on or after January 1, 2019. IFRS 16 provides an option to adopt the new requirements by either using a retrospective approach (i.e., restating all comparatives) or a modified retrospective approach and contains certain other transition reliefs. The Group is currently evaluating these options. The Company (i) has established a multidisciplinary team to assess and implement the new guidance, (ii) expects the guidance to have a material impact on its consolidated statements of financial position due to the recording of right of use assets and lease liabilities for leases in which it is a lessee and which it currently treats as operating leases and (iii) continues to evaluate the impact of the new guidance.

In June 2016, the IASB issued Amendments to IFRS 2, *Classification and Measurement of Share-based Payment Transactions*. These amendments eliminate the ambiguity over how a company should account for certain types of share-based payment arrangements. Amendments to IFRS 2, *Classification and Measurement of Share-based Payment Transactions* cover three accounting areas: (i) measurement of cash-settled share-based arrangements, (ii) classification of share-based payments settled net of tax withholdings and (iii) accounting for a modification of a share-based payment from cash-settled to equity-settled. Amendments to IFRS 2, *Classification and Measurement of Share-based Payment Transactions* will come into effect for annual periods beginning on or after January 1, 2018 with earlier application permitted. The Group will adopt IFRS 2, *Classification and Measurement of Share-based Payment* Transactions as of January 1, 2018 and does not anticipate it will have a material impact on its consolidated financial results from adoption of this amendment.

3. Summary of Significant Accounting Policies *(continued)*

(u) New Standards and Interpretations *(continued)*

In December 2016, the IFRS Interpretations Committee ("IFRS IC") issued IFRIC 22, *Foreign Currency Transactions and Advance Consideration* ("IFRIC 22"). IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. IFRIC 22 covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. IFRIC 22 is effective for annual reporting periods beginning on or after January 1, 2018 with earlier application permitted. The Group will adopt IFRIC 22 as of January 1, 2018 and does not anticipate it will have a material impact on its consolidated financial statements from the adoption of the new standard.

In June 2017, the IFRS IC issued IFRIC 23, *Uncertainty over Income Tax Treatments*, ("IFRIC 23"). IFRIC 23 clarifies the accounting for uncertainties related to income taxes and is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12, *Income Taxes*. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Group is currently evaluating the impact of IFRIC 23 on its consolidated financial statements.

4. Segment Reporting

(a) Operating Segments

Management of the business and evaluation of operating results is organized primarily along geographic lines dividing responsibility for the Group's operations, besides the Corporate segment, as follows:

- North America — includes operations in the United States of America and Canada;
- Asia — includes operations in South Asia (India and Middle East), China, Singapore, South Korea, Taiwan, Malaysia, Japan, Hong Kong, Thailand, Indonesia, Philippines, Australia and certain other Asian markets;
- Europe — includes operations in European countries as well as South Africa;
- Latin America — includes operations in Chile, Mexico, Argentina, Brazil, Colombia, Panama, Peru and Uruguay; and
- Corporate — primarily includes certain licensing activities from brand names owned by the Group and Corporate headquarters overhead.

4. Segment Reporting *(continued)*

(a) Operating Segments (continued)

Information regarding the results of each reportable segment is included below. Performance is measured based on segment operating profit or loss, as included in the internal management reports that are reviewed by the Chief Operating Decision Maker. Segment operating profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of the Group's segments.

Segment information as of and for the years ended December 31, 2017 and December 31, 2016 is as follows:

	Year ended December 31, 2017					
(Expressed in thousands of US Dollars)	**North America**	**Asia**	**Europe**	**Latin America**	**Corporate**	**Consolidated**
External revenues	**1,392,378**	**1,196,189**	**734,794**	**158,465**	**9,095**	**3,490,921**
Operating profit (loss)	**173,421**	**220,343**	**100,209**	**4,367**	**(74,457)**	**423,883**
Depreciation and amortization	**41,084**	**38,831**	**27,785**	**7,711**	**2,514**	**117,925**
Capital expenditures	**27,190**	**26,008**	**34,691**	**6,396**	**347**	**94,632**
Interest income	**84**	**808**	**323**	**61**	**34**	**1,310**
Interest expense	**(51)**	**(488)**	**(1,235)**	**(58)**	**(78,357)**	**(80,189)**
Income tax (expense) benefit[1]	**(34,915)**	**(31,125)**	**(32,341)**	**(550)**	**123,125**	**24,194**
Total assets	**2,418,912**	**1,273,930**	**665,126**	**118,804**	**593,653**	**5,070,425**
Total liabilities	**1,208,315**	**471,156**	**369,358**	**46,858**	**1,142,360**	**3,238,047**

Note

(1) The impact of the 2017 U.S. tax reform (defined in Note 18) is included in the Corporate segment.

	Year ended December 31, 2016					
(Expressed in thousands of US Dollars)	North America	Asia	Europe	Latin America	Corporate	Consolidated
External revenues	1,027,172	1,028,578	615,301	130,559	8,887	2,810,497
Operating profit (loss)	142,880	196,107	85,012	(1,683)	(91,115)	331,201
Depreciation and amortization	25,857	29,422	24,504	6,605	2,853	89,241
Capital expenditures	16,300	21,861	22,697	7,161	1,560	69,579
Interest income	7	654	192	226	174	1,253
Interest expense	—	(261)	(736)	(545)	(42,149)	(43,691)
Income tax (expense) benefit	(42,863)	(31,184)	(14,769)	(172)	91,148	2,160
Total assets	1,740,980	1,122,449	538,763	107,641	1,139,707	4,649,540
Total liabilities	612,954	176,483	214,146	43,229	2,091,741	3,138,553

(b) Geographical Information

The following tables set out enterprise-wide information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant, and equipment, intangible assets and goodwill (specified non-current assets). The geographical location of customers is based on the selling location of the goods. The geographical location of the specified non-current assets is based on the physical location of the assets.

(i) Revenue from External Customers

The following table presents the revenues earned in major geographical locations where the Group has operations. The geographic location of the Group's net sales reflects the country/territory from which its products were sold and does not necessarily indicate the country/territory in which its end consumers were actually located.

4. Segment Reporting *(continued)*

(b) Geographical Information *(continued)*

(i) Revenue from External Customers *(continued)*

(Expressed in thousands of US Dollars)	Year ended December 31, **2017**	2016
North America:		
United States	**1,325,503**	976,120
Canada	**66,875**	51,052
Total North America	**1,392,378**	1,027,172
Asia:		
China	**276,929**	251,729
South Korea	**211,594**	178,176
Japan	**172,861**	135,041
Hong Kong[(1)]	**145,890**	109,093
India	**138,223**	128,056
Australia	**71,908**	67,959
United Arab Emirates	**46,623**	45,881
Thailand	**32,107**	27,551
Indonesia	**29,372**	19,069
Singapore	**29,297**	26,262
Taiwan	**24,934**	23,910
Other	**16,451**	15,851
Total Asia	**1,196,189**	1,028,578
Europe:		
Germany	**124,896**	110,883
Belgium	**108,789**	73,475
Italy	**78,597**	68,740
France	**75,293**	66,997
United Kingdom[(2)]	**74,281**	68,521
Spain	**56,243**	47,599
Russia	**45,008**	30,608
Netherlands	**34,336**	30,295
Austria	**22,111**	17,103
Sweden	**20,607**	19,684
Turkey	**19,788**	16,670
Switzerland	**16,840**	16,446
Norway	**14,928**	12,034
Other	**43,077**	36,246
Total Europe	**734,794**	615,301
Latin America:		
Chile	**68,402**	59,518
Mexico	**47,160**	41,422
Brazil	**20,015**	12,425
Other	**22,888**	17,194
Total Latin America	**158,465**	130,559
Corporate and other (royalty revenue):		
Luxembourg	**9,030**	8,804
United States	**65**	83
Total Corporate and other	**9,095**	8,887
Total	**3,490,921**	2,810,497

Notes

(1) Net sales reported for Hong Kong include net sales made in Macau. 2017 included sales to Tumi distributors in certain other Asian markets.

(2) Net sales reported for the United Kingdom include net sales made in Ireland.

4. Segment Reporting *(continued)*

(b) Geographical Information *(continued)*

(ii) Specified Non-current Assets

The following table presents the Group's significant non-current assets by country/territory. Non-current assets are mainly comprised of tradenames, customer relationships, property, plant and equipment and deposits.

	December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
United States	**1,657,829**	1,613,020
Luxembourg	**702,081**	693,756
Belgium	**95,162**	55,699
China	**33,766**	27,140
Hungary	**32,747**	23,705
South Korea	**30,819**	11,012
Japan	**25,400**	23,661
Hong Kong	**18,067**	19,382
India	**15,077**	15,200
Chile	**13,257**	11,697
Mexico	**10,122**	7,665

5. Business Combinations

(a) 2017 Business Combinations

During the year ended December 31, 2017, the Group acquired certain assets related to the distribution of Tumi products in certain markets in Asia and completed the purchase of eBags, Inc. in the United States. These transactions were accounted for as business combinations.

(i) Assets Related to the Distribution of Tumi in Certain Asian Markets

Certain subsidiaries of the Group assumed direct control of the wholesale and retail distribution of Tumi products in South Korea, Hong Kong, Macau, China, Indonesia and Thailand during the year ended December 31, 2017 resulting in business combinations. The total consideration paid in connection with all such transactions was US$64.9 million.

- On January 4, 2017, the Company's wholly-owned subsidiary in South Korea completed the acquisition of certain assets, including inventory, store fixtures and furniture, as well as rights under retail store leases, from TKI, Inc. ("TKI") with effect from January 1, 2017.
- On April 1, 2017, the Company's wholly-owned subsidiaries in Hong Kong, Macau and China acquired certain assets, including inventory, store fixtures and furniture, as well as rights under retail store leases, from Imaginex Holdings Limited ("Imaginex") with effect from April 1, 2017.
- On May 1, 2017, the Company's non-wholly owned subsidiaries in Indonesia and Thailand assumed direct control of the distribution of Tumi products in each respective country with effect from May 1, 2017.

The consolidated financial results of the Group as of and for the year ended December 31, 2017 include the financial results for such transactions from the respective dates of assuming control of distribution of Tumi products in Asia. From the respective dates of acquisition, US$30.5 million of revenue and a net loss of US$0.2 million was contributed to the consolidated financial results of the Group for the year ended December 31, 2017.

5. Business Combinations *(continued)*

(a) 2017 Business Combinations *(continued)*

(i) Assets Related to the Distribution of Tumi in Certain Asian Markets *(continued)*

The following table summarizes the recognized amounts of assets acquired for all of the above distributorships at the respective acquisition dates as a final allocation of the combined purchase price.

(Expressed in thousands of US Dollars)	
Property, plant and equipment	3,834
Identifiable intangible assets	16,880
Inventories	9,370
Other current assets	253
Trade and other payables	(791)
Total identifiable net assets acquired	29,546
Goodwill	35,369
Total purchase price	64,915

Identifiable intangible assets are primarily comprised of customer relationships that will be amortized over the estimated useful life.

Goodwill in the amount of US$35.4 million was recognized as a result of the acquisitions. The goodwill is attributable mainly to the synergies expected to be achieved from integrating the distributorships into the Group's existing business. All of the goodwill recognized is expected to be deductible for tax purposes.

(ii) eBags, Inc.

On April 6, 2017, Samsonite LLC and BGS Merger Sub, Inc., both wholly-owned subsidiaries of the Company, entered into a merger agreement with eBags, Inc. ("eBags") and certain of the security holders of eBags, pursuant to which Samsonite LLC agreed to acquire all of the outstanding equity interests of eBags for cash consideration of US$105.0 million on the terms and conditions set out in the merger agreement. The acquisition was completed on May 5, 2017, at which time eBags became an indirect, wholly-owned subsidiary of the Company. The consideration paid under the merger agreement by Samsonite LLC was financed by internal resources of the Group and the Group's revolving credit facility.

eBags is a leading online retailer of bags and related accessories for travel. eBags offers consumers a diverse offering of travel bags and accessories including luggage, backpacks, handbags, business bags, travel accessories and apparel. eBags sells products from a wide variety of leading travel and fashion brands (including many of the brands owned by the Group), as well as its own exclusive private label brand. Founded in 1998, eBags is headquartered in Greenwood Village, Colorado, USA.

The acquisition provided the Group with a strong platform to help accelerate the growth of the Group's direct-to-consumer e-commerce business in North America and worldwide. It also provided the Group with immediate resources and digital know-how to strengthen the Group's existing digital capabilities.

The consolidated financial results of the Group as of and for the year ended December 31, 2017 include eBags' financial results from May 5, 2017, the date of acquisition, through December 31, 2017. From the date of acquisition, eBags contributed US$114.1 million of revenue and a net loss of US$3.6 million to the consolidated financial results of the Group for the year ended December 31, 2017 while the Group integrates and restructures operations.

5. Business Combinations *(continued)*

(a) 2017 Business Combinations *(continued)*

(ii) eBags, Inc. *(continued)*

The following table summarizes the recognized amounts of assets and liabilities acquired and liabilities assumed at the acquisition date as an allocation of the purchase price included in the December 31, 2017 results.

(Expressed in thousands of US Dollars)	
Property, plant and equipment	431
Identifiable intangible assets	58,982
Inventories	7,050
Trade and other receivables	70
Other current assets	547
Deferred tax liability	(2,732)
Trade and other payables	(20,664)
Total identifiable net assets acquired	43,684
Goodwill	61,296
Total purchase price	104,980

Identifiable intangible assets above are comprised of US$55.5 million attributable to the eBags tradename and US$3.5 million of other intangible assets.

Goodwill in the amount of US$61.3 million was recognized. The goodwill is attributable mainly to the synergies expected to be achieved from integrating eBags into the Group's existing business. None of the goodwill recognized is expected to be deductible for tax purposes.

Per IFRS 3, *Business Combinations*, an acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date. The measurement period for certain transactions disclosed above has not ended as of December 31, 2017.

(iii) Pro Forma Results (Unaudited)

If all of the above transactions had occurred on January 1, 2017, the Group estimates that consolidated net sales for 2017 would have been approximately US$3,537.0 million, and consolidated profit attributable to equity holders for 2017 would have been approximately US$333.5 million. In determining these amounts, the Group has assumed that the fair value adjustments that arose on the transaction dates would have been the same if the transactions had occurred on January 1, 2017. The pro forma information is not necessarily indicative of the results of operations that actually would have been achieved had the transactions been consummated at that time, nor is it intended to be a projection of future results.

5. Business Combinations *(continued)*

(b) 2016 Acquisition

The Group completed one business combination during the year ended December 31, 2016.

Tumi Holdings, Inc.

On March 3, 2016, the Company and PTL Acquisition Inc. ("Merger Sub"), which was then an indirect wholly-owned subsidiary of the Company, entered into an agreement and plan of merger (the "Merger Agreement") with Tumi Holdings, Inc. ("Tumi Holdings"), pursuant to which the Company agreed to acquire Tumi Holdings for a cash consideration of US$26.75 per outstanding common share of Tumi Holdings, without interest (the "Per Share Merger Consideration"). The acquisition was completed on August 1, 2016 and was effected by way of the merger of Merger Sub with and into Tumi Holdings, with Tumi Holdings surviving the merger as an indirect wholly-owned subsidiary of the Company. On December 30, 2016, Tumi Holdings was merged with and into its wholly-owned subsidiary Tumi, Inc., with Tumi, Inc. surviving the merger. *Tumi* is a leading global premium lifestyle brand offering a comprehensive line of business bags, travel luggage and accessories. The brand is consistently recognized as "best in class" for the high quality, durability, functionality and innovative design of its products, which range from its iconic black ballistic business cases and travel luggage synonymous with the modern business professional, to travel accessories, women's bags and outdoor apparel.

Pursuant to the terms of the Merger Agreement, as of the effective time of the merger (the "Effective Time"), each issued and outstanding share of Tumi Holdings common stock, other than dissenting shares and shares owned by the Company, Merger Sub, Tumi Holdings or any of their respective wholly-owned subsidiaries (including treasury shares), was canceled and converted into the right to receive the Per Share Merger Consideration. All Tumi Holdings stock options, service restricted stock unit awards and performance restricted stock unit awards (in each case whether vested or unvested) that were outstanding immediately prior to the Effective Time were canceled upon the completion of the merger, and the holders thereof were paid an aggregate of approximately US$19.0 million in cash in respect of such cancellation pursuant to the terms of the Merger Agreement. Upon the Effective Time, holders of Tumi Holdings common stock immediately prior to the Effective Time ceased to have any rights as stockholders in Tumi Holdings (other than their right to receive the Per Share Merger Consideration, or, in the case of shares of Tumi Holdings common stock as to which appraisal rights have been properly exercised and not withdrawn, the rights pursuant to Section 262 of the Delaware General Corporation Law). The total consideration paid under the Merger Agreement was approximately US$1,830.8 million. There was no contingent consideration included in the transaction.

The consolidated financial results of the Group as of and for the year ended December 31, 2016 include Tumi Holdings' financial results from August 1, 2016, the date of acquisition, through December 31, 2016. From the date of acquisition, the Tumi operations contributed US$275.8 million of revenue and net income of US$38.0 million (excluding transaction costs and the finance costs associated with the Senior Credit Facilities used to fund the acquisition) to the consolidated financial results of the Group for the year ended December 31, 2016.

5. Business Combinations *(continued)*

(b) 2016 Acquisition *(continued)*

Tumi Holdings, Inc. *(continued)*

The following table summarizes the recognized amounts of assets and liabilities acquired and liabilities assumed at the acquisition date as an allocation of the purchase price.

(Expressed in thousands of US Dollars)	
Property, plant and equipment	102,309
Identifiable intangible assets	986,984
Other non-current assets	5,441
Inventories	109,735
Trade and other receivables	27,855
Other current assets	26,801
Cash	145,507
Deferred tax liability	(370,183)
Current loans and borrowings	(4,409)
Other non-current liabilities	(1,665)
Trade and other payables	(138,660)
Other current liabilities	(3,205)
Total identifiable net assets acquired	886,510
Goodwill	944,278
Total purchase price	1,830,788

Identifiable intangible assets above is comprised of US$845.0 million attributable to the Tumi tradename, US$136.0 million for customer relationships and US$6.0 million for other intangibles.

Goodwill in the amount of US$944.3 million was recognized as a result of the acquisition. The goodwill is attributable mainly to the synergies expected to be achieved from integrating Tumi into the Group's existing business. None of the goodwill recognized is expected to be deductible for tax purposes.

(c) Acquisition-related Costs

The Group incurred approximately US$19.3 million and US$46.2 million in acquisition-related costs during the years ended December 31, 2017 and December 31, 2016, respectively. Such costs are primarily comprised of costs associated with due diligence, professional and legal fees, severance and integration costs and are recognized within other expenses on the consolidated income statements.

Notes to the Consolidated Financial Statements *(continued)*

6. Property, Plant and Equipment

(Expressed in thousands of US Dollars)	Land	Buildings	Machinery, equipment, leasehold improvements and other	Total
2017				
Cost:				
As of January 1, 2017	**11,211**	**56,901**	**546,462**	**614,574**
Purchases of property, plant and equipment	**—**	**27,448**	**67,184**	**94,632**
Additions through business combinations (note 5)	**—**	**—**	**4,265**	**4,265**
Disposals and write-offs	**—**	**—**	**(23,146)**	**(23,146)**
Effect of movement in foreign currency exchange rates	**739**	**5,326**	**66,335**	**72,400**
As of December 31, 2017	**11,950**	**89,675**	**661,100**	**762,725**
Accumulated depreciation and impairment:				
As of January 1, 2017	**(1,090)**	**(25,228)**	**(306,266)**	**(332,584)**
Depreciation for the year	**—**	**(3,775)**	**(81,342)**	**(85,117)**
Disposals and write-offs	**—**	**—**	**21,233**	**21,233**
Effect of movement in foreign currency exchange rates	**(188)**	**(3,527)**	**(54,495)**	**(58,210)**
As of December 31, 2017	**(1,278)**	**(32,530)**	**(420,870)**	**(454,678)**
Carrying value:				
As of December 31, 2017	**10,672**	**57,145**	**240,230**	**308,047**

6. Property, Plant and Equipment *(continued)*

(Expressed in thousands of US Dollars)	Land	Buildings	Machinery, equipment, leasehold improvements and other	Total
2016				
Cost:				
As of January 1, 2016	10,728	51,687	422,753	485,168
Purchases of property, plant and equipment	226	404	68,949	69,579
Additions through business combinations (note 5)	418	6,876	95,015	102,309
Disposals and write-offs	—	(16)	(29,344)	(29,360)
Effect of movement in foreign currency exchange rates	(161)	(2,050)	(10,911)	(13,122)
As of December 31, 2016	11,211	56,901	546,462	614,574
Accumulated depreciation and impairment:				
As of January 1, 2016	(1,099)	(22,790)	(275,196)	(299,085)
Depreciation for the year	(28)	(3,433)	(63,324)	(66,785)
Disposals and write-offs	—	9	26,024	26,033
Effect of movement in foreign currency exchange rates	37	986	6,230	7,253
As of December 31, 2016	(1,090)	(25,228)	(306,266)	(332,584)
Carrying value:				
As of December 31, 2016	10,121	31,673	240,196	281,990

Depreciation expense for the years ended December 31, 2017 and December 31, 2016 amounted to US$85.1 million and US$66.8 million, respectively. Of this amount, US$14.0 million and US$13.9 million was included in cost of sales during the years ended December 31, 2017 and December 31, 2016, respectively. Remaining amounts were presented in distribution and general and administrative expenses. All land owned by the Group is freehold.

No impairment indicators existed as of December 31, 2017 and December 31, 2016.

7. Goodwill and Other Intangible Assets

(a) Goodwill

The Group's goodwill balance amounted to US$1,343.0 million as of December 31, 2017, of which approximately US$64.6 million is expected to be deductible for income tax purposes.

The carrying amount of goodwill was as follows:

(Expressed in thousands of US Dollars)	December 31, **2017**	December 31, 2016
Cost:		
As of January 1	**2,208,697**	1,267,147
Additions through business combinations (note 5)	**96,665**	944,278
Effect of movement in foreign currency exchange rates / other additions	**7,446**	(2,728)
As of December 31	**2,312,808**	2,208,697
Accumulated impairment losses:		
As of January 1 and as of December 31	**(969,787)**	(969,787)
Carrying amount	**1,343,021**	1,238,910

The aggregate carrying amounts of goodwill allocated to each operating segment were as follows:

(Expressed in thousands of US Dollars)	North America	Asia	Europe	Latin America	Consolidated
As of December 31, 2017	**742,143**	**541,447**	**59,431**	**—**	**1,343,021**
As of December 31, 2016	679,753	503,726	55,431	—	1,238,910

In accordance with IAS 36, *Impairment of Assets* ("IAS 36"), the recoverable amounts of the Group's CGUs with goodwill were determined using the higher of fair value less cost to sell or value in use, which is determined by discounting the estimated future cash flows generated from the continuing use of the unit.

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments, comprised of groups of CGUs, as these represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose.

Separate calculations are prepared for each of the groups of CGUs that make up the consolidated entity. These calculations use discounted cash flow projections based on financial estimates reviewed by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates appropriate for the market in which the unit operates. The values assigned to the key assumptions represent management's assessment of future trends and are based on both external sources and internal sources (historical data) and are summarized below.

7. Goodwill and Other Intangible Assets *(continued)*

(a) Goodwill *(continued)*

- Pre-tax discount rates of 8.5%–10.0% were used in discounting the projected cash flows. The pre-tax discount rates were calculated for each CGU.
- Segment cash flows were projected based on the historical operating results and the five-year forecasts.
- The terminal values were extrapolated using constant long-term growth rates of 3.0%–3.5% for each CGU, which is consistent with the average growth rate for the industry.
- The sales prices were assumed to be a constant margin above cost.

Judgment is required to determine key assumptions adopted in the cash flow projections and the changes to key assumptions can significantly affect these cash flow projections. Management has considered the above assumptions and valuation and has also taken into account the business plans going forward. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

7. Goodwill and Other Intangible Assets *(continued)*

(b) Other Intangible Assets

Other intangible assets consisted of the following:

(Expressed in thousands of US Dollars)	Customer relationships	Other	Total subject to amortization	Tradenames	Total other intangible assets
Cost:					
As of January 1, 2016	138,522	10,216	148,738	682,157	830,895
Additions through business combinations (note 5)	136,000	5,984	141,984	845,000	986,984
Other additions	—	5,745	5,745	—	5,745
Disposals	—	(535)	(535)	—	(535)
Effect of movement in foreign currency exchange rates	126	(983)	(857)	203	(654)
As of December 31, 2016 and January 1, 2017	274,648	20,427	295,075	1,527,360	1,822,435
Additions through business combinations (note 5)	**16,880**	**3,482**	**20,362**	**55,500**	**75,862**
Other additions	**—**	**14,334**	**14,334**	**—**	**14,334**
Disposals	**—**	**(2,081)**	**(2,081)**	**—**	**(2,081)**
Effect of movement in foreign currency exchange rates	**3,558**	**4,691**	**8,249**	**312**	**8,561**
As of December 31, 2017	**295,086**	**40,853**	**335,939**	**1,583,172**	**1,919,111**
Accumulated amortization:					
As of January 1, 2016	(65,979)	(2,505)	(68,484)	—	(68,484)
Amortization for the year	(19,009)	(3,447)	(22,456)	—	(22,456)
Effect of movement in foreign currency exchange rates	46	1,520	1,566	—	1,566
As of December 31, 2016 and January 1, 2017	(84,942)	(4,432)	(89,374)	—	(89,374)
Amortization for the year	**(26,336)**	**(6,472)**	**(32,808)**	**—**	**(32,808)**
Disposal	**—**	**906**	**906**	**—**	**906**
Effect of movement in foreign currency exchange rates	**(307)**	**(4,771)**	**(5,078)**	**—**	**(5,078)**
As of December 31, 2017	**(111,585)**	**(14,769)**	**(126,354)**	**—**	**(126,354)**
Carrying amounts:					
As of December 31, 2017	**183,501**	**26,084**	**209,585**	**1,583,172**	**1,792,757**
As of December 31, 2016	189,706	15,995	205,701	1,527,360	1,733,061

7. Goodwill and Other Intangible Assets *(continued)*

(b) Other Intangible Assets *(continued)*

The aggregate carrying amounts of each significant tradename were as follows:

	December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Samsonite	**462,459**	462,459
Tumi	**845,000**	845,000
American Tourister	**69,969**	69,969
eBags	**55,500**	—
High Sierra	**39,900**	39,900
Gregory	**38,600**	38,600
Speck	**36,800**	36,800
Hartmann	**16,500**	16,500
Lipault	**12,259**	12,259
Other	**6,185**	5,873
Total tradenames	**1,583,172**	1,527,360

Amortization expense for intangible assets for the years ended December 31, 2017 and December 31, 2016 was US$32.8 million and US$22.5 million, respectively, and is presented primarily in distribution expenses in the consolidated income statements. Future amortization expense as of December 31, 2017 for the next five years is estimated to be US$33.6 million, US$31.2 million, US$28.6 million, US$26.9 million, US$18.5 million and a total of US$70.8 million thereafter.

In accordance with IAS 36, the Group is required to evaluate its intangible assets with finite lives for recoverability whenever events or changes in circumstance indicate that their carrying amount might not be recoverable. The fair value of customer relationships is determined using a combination of the income approach and the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. There were no impairment indicators and there were no accumulated impairment losses as of December 31, 2017 and December 31, 2016.

The Group's tradenames have been deemed to have indefinite lives due to their high quality and perceived value. In accordance with IAS 36, the recoverable amounts of the Group's tradenames were determined using the relief-from-royalty income approach to derive fair value less cost to sell.

The calculations use discounted projections based on financial estimates reviewed by management covering a five-year period. Revenues beyond the five-year period are extrapolated using estimated growth rates appropriate for the market. The values assigned to the key assumptions represent management's assessment of future trends and are based on both external sources and internal sources (historical data) and are summarized below.

- Pre-tax discount rates of 8.5%–10.0% were used. The pre-tax discount rates were calculated separately for each tradename.
- Revenues were based on anticipated selling prices and projected based on the historical operating results, the five-year forecasts and royalty rates based on recent transfer pricing studies in the jurisdictions the Group operates in.

7. Goodwill and Other Intangible Assets *(continued)*

(b) Other Intangible Assets *(continued)*

- The terminal values were extrapolated using constant long-term growth rates of 2.7%–3.3% for each tradename, which is consistent with the average growth rate for the industry.
- The sales prices were assumed to be a constant margin above cost.

Judgment is required to determine key assumptions adopted in the cash flow projections and the changes to key assumptions can significantly affect these cash flow projections. Management has considered the above assumptions and valuation and has also taken into account the business plans going forward. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of its indefinite lived intangible assets to exceed their recoverable amounts.

8. Prepaid Expenses, Other Assets and Receivables

(a) Non-current

Other assets and receivables consisted of the following:

	December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Deposits	**35,344**	28,926
Other	**4,858**	4,000
Total other assets and receivables	**40,202**	32,926

(b) Current

Prepaid expenses and other current assets consisted of the following:

	December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Prepaid income taxes	**84,682**	85,573
Prepaid value-added tax	**31,400**	27,906
Prepaid rent	**10,547**	7,977
Prepaid other	**29,865**	21,377
Total prepaid expenses and other assets	**156,494**	142,833

9. Inventories

Inventories consisted of the following:

	December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Raw materials	**38,436**	23,913
Work in process	**2,581**	1,779
Finished goods	**541,977**	395,642
Total inventories	**582,994**	421,334

9. Inventories *(continued)*

The amounts above include inventories carried at net realizable value (estimated selling price less costs to sell) of US$229.6 million and US$180.8 million as of December 31, 2017 and December 31, 2016, respectively. During the years ended December 31, 2017 and December 31, 2016, the write-down of inventories to net realizable value amounted to US$6.0 million and US$6.2 million, respectively. During the years ended December 31, 2017 and December 31, 2016 the reversal of reserves recognized in profit or loss amounted to US$2.9 million and US$1.3 million, respectively, where the Group was able to sell the previously written-down inventories at higher selling prices than previously estimated.

10. Trade and Other Receivables

Trade and other receivables are presented net of related allowances for doubtful accounts of US$14.5 million and US$13.0 million as of December 31, 2017 and December 31, 2016, respectively.

(a) Aging Analysis

Included in trade and other receivables are trade receivables (net of allowance for doubtful accounts) of US$393.3 million and US$338.4 million as of December 31, 2017 and December 31, 2016, respectively, with the following aging analysis by due date of the respective invoice:

	December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Current	**336,446**	291,359
0–30 days past due	**45,780**	34,379
Greater than 30 days past due	**11,069**	12,648
Total trade receivables	**393,295**	338,386

Credit terms are granted based on the credit worthiness of individual customers.

(b) Impairment of Trade Receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The Group does not hold any collateral over these balances.

The movement in the allowance for doubtful accounts during the year follows:

(Expressed in thousands of US Dollars)	**2017**	2016
As of January 1	**13,005**	12,720
Impairment loss recognized	**3,664**	2,031
Impairment loss written back or off	**(2,155)**	(1,746)
As of December 31	**14,514**	13,005

11. Cash and Cash Equivalents

(Expressed in thousands of US Dollars)	December 31, **2017**	2016
Bank balances	**340,739**	362,736
Short-term investments	**3,713**	5,804
Total cash and cash equivalents	**344,452**	368,540

Short-term investments are comprised of overnight sweep accounts and time deposits. There were no restrictions on the use of any of the Group's cash as of December 31, 2017. The Group had restricted cash in the amount of US$35.1 million as of December 31, 2016.

12. Earnings Per Share

(a) Basic

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Company for the years ended December 31, 2017 and December 31, 2016.

(Expressed in thousands of US Dollars, except share and per share data)	Year ended December 31, **2017**	2016
Issued ordinary shares at the beginning of the year	**1,411,288,901**	1,409,833,525
Weighted-average impact of share options exercised during the year	**6,053,808**	759,604
Weighted-average number of shares during the year	**1,417,342,709**	1,410,593,129
Profit attributable to the equity holders	**334,256**	255,667
Basic earnings per share *(Expressed in US Dollars per share)*	**0.236**	0.181

(b) Diluted

Dilutive earnings per share are calculated by adjusting the weighted-average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

(Expressed in thousands of US Dollars, except share and per share data)	Year ended December 31, **2017**	2016
Weighted-average number of ordinary shares (basic) at end of the year	**1,417,342,709**	1,410,593,129
Effect of share options	**10,790,441**	2,966,094
Weighted-average number of shares during the year	**1,428,133,150**	1,413,559,223
Profit attributable to the equity holders	**334,256**	255,667
Diluted earnings per share *(Expressed in US Dollars per share)*	**0.234**	0.181

12. Earnings Per Share *(continued)*

(c) Dividends and Distributions

On March 15, 2017, the Board recommended that a cash distribution in the amount of US$97.0 million, or approximately US$0.0684 per share, be made to the Company's shareholders of record on June 17, 2017 from its ad hoc distributable reserve. The shareholders approved this distribution on June 1, 2017 at the Annual General Meeting and the distribution was paid on July 12, 2017.

On March 16, 2016, the Board recommended that a cash distribution in the amount of US$93.0 million, or approximately US$0.0659 per share, be made to the Company's shareholders of record on June 17, 2016 from its ad hoc distributable reserve. The shareholders approved this distribution on June 2, 2016 at the Annual General Meeting and the distribution was paid on July 13, 2016.

Dividend payments to non-controlling interests amounted to US$22.1 million and US$14.8 million during the years ended December 31, 2017 and December 31, 2016, respectively.

No other dividends or distributions were declared or paid during the years ended December 31, 2017 and December 31, 2016.

13. Loans and Borrowings

(a) Non-current Obligations

Non-current obligations represent non-current debt and finance lease obligations as follows:

	December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Term Loan A Facility	**1,203,125**	1,242,187
Term Loan B Facility	**666,563**	673,313
Term Loan Facilities	**1,869,688**	1,915,500
Finance lease obligations	**337**	283
Total loans and borrowings	**1,870,025**	1,915,783
Less deferred financing costs	**(56,572)**	(64,341)
Total loans and borrowings less deferred financing costs	**1,813,453**	1,851,442
Less current portion of long-term debt	**(69,250)**	(45,813)
Less current installments on finance lease obligations	**(98)**	(68)
Non-current loans and borrowings	**1,744,105**	1,805,561

The contractual maturities of non-current loans and borrowings are included in note 21(c).

Senior Credit Facilities

Overview

On May 13, 2016, an indirect wholly-owned subsidiary of the Company entered into a Credit and Guaranty Agreement dated as of May 13, 2016 (the "Credit Agreement") with certain lenders and financial institutions. On August 1, 2016 (the "Closing Date"), the Company and certain of its other indirect wholly-owned subsidiaries became parties to the Credit Agreement. The Credit Agreement provides for (1) a US$1,250.0 million senior secured term loan A facility (the "Term Loan A Facility"), (2) a US$675.0 million senior secured term loan B facility (the "Term Loan B Facility" and, together with the Term Loan A Facility, the "Term Loan Facilities") and (3) a US$500.0 million revolving credit facility (the "Revolving Facility", and, together with the Term Loan Facilities, the "Senior Credit Facilities").

13. Loans and Borrowings *(continued)*

(a) Non-current Obligations *(continued)*

Senior Credit Facilities *(continued)*

Overview *(continued)*

On the Closing Date, the Company and certain of its other indirect wholly-owned subsidiaries became parties to the Credit Agreement, and the Group used the proceeds from the Senior Credit Facilities to pay the total consideration under the Merger Agreement, to repay all amounts then outstanding under the Group's prior US$500.0 million revolving credit facility (the "Prior Revolving Facility"), which Prior Revolving Facility was then terminated, and to pay fees, costs and expenses related to the Tumi acquisition, as well as for general corporate purposes.

Interest Rate and Fees

Interest on the borrowings under the Term Loan A Facility and the Revolving Facility began to accrue on the Closing Date. The interest rates for such borrowings were initially based on the London Interbank Offered Rate ("LIBOR") plus an applicable margin of 2.75% per annum. The applicable margin for borrowings under both the Term Loan A Facility and the Revolving Facility may step down based on achievement of a specified total net leverage ratio of the Company and its subsidiaries at the end of each fiscal quarter, commencing with the quarter ended December 31, 2016. Interest on the borrowing under the Term Loan B Facility began to accrue on May 13, 2016 at the rate of LIBOR plus 3.25% per annum.

In addition to paying interest on outstanding principal under the Senior Credit Facilities, the borrowers will pay customary agency fees and a commitment fee in respect of the unutilized commitments under the Revolving Facility, which was initially 0.50% per annum. The commitment fee may step down based on the achievement of a specified total net leverage ratio level of the Company and its subsidiaries at the end of each fiscal quarter, commencing with the quarter ended December 31, 2016.

On February 2, 2017, the Group refinanced the Senior Credit Facilities (the "Repricing"). Under the terms of the Repricing, the interest rate payable on the Term Loan A Facility and the Revolving Facility was reduced with effect from February 2, 2017 until the delivery of the financial statements for the period ended June 30, 2017 to LIBOR plus 2.00% per annum (or a base rate plus 1.00% per annum) from LIBOR plus 2.75% per annum (or a base rate plus 1.75% per annum) and thereafter shall be based on the total net leverage ratio of the Group at the end of each fiscal quarter. The interest rate payable on the Term Loan B Facility was reduced with effect from February 2, 2017 to LIBOR plus 2.25% per annum with a LIBOR floor of 0.00% (or a base rate plus 1.25% per annum) from LIBOR plus 3.25% per annum with a LIBOR floor of 0.75% (or a base rate plus 2.25% per annum). In addition, the commitment fee payable in respect of the unutilized commitments under the Revolving Facility was reduced from 0.50% per annum to 0.375% per annum through June 30, 2017 and thereafter shall be based on the total net leverage ratio of the Group at the end of each fiscal quarter.

Mandatory Prepayments

The Credit Agreement requires certain mandatory prepayments of outstanding loans under the Term Loan Facilities from the net cash proceeds of certain asset sales and casualty and condemnation events (subject to reinvestment rights), and the net cash proceeds of any incurrence or issuance of debt not permitted under the Senior Credit Facilities, in each case subject to customary exceptions and thresholds. The Credit Agreement also provides for mandatory prepayments of the Term Loan B Facility to be made based on the excess cash flow of the Company and its subsidiaries. For the year ended December 31, 2017, there were no mandatory prepayments made. Based on the results for the year ended December 31, 2017, there is no mandatory prepayment required based on excess cash flow.

13. Loans and Borrowings *(continued)*

(a) Non-current Obligations *(continued)*

Senior Credit Facilities *(continued)*

Voluntary Prepayments

All outstanding loans under the Senior Credit Facilities may be voluntarily prepaid at any time without premium or penalty other than customary "breakage" costs with respect to LIBOR loans.

Amortization and Final Maturity

The Term Loan A Facility requires scheduled quarterly payments that commenced December 31, 2016, with an amortization of 2.5% of the original principal amount of the loans under the Term Loan A Facility made during the first year, with a step-up to 5.0% amortization during the second and third years, 7.5% during the fourth year and 10.0% during the fifth year, with the balance due and payable on the fifth anniversary of the Closing Date. The Term Loan B Facility requires scheduled quarterly payments that commenced December 31, 2016, each equal to 0.25% of the original principal amount of the loans under the Term Loan B Facility, with the balance due and payable on the seventh anniversary of the Closing Date. There is no scheduled amortization of the principal amounts of the loans outstanding under the Revolving Facility. Any principal amount outstanding under the Revolving Facility is due and payable on the fifth anniversary of the Closing Date. Principal payments in the amounts of US$45.8 million and US$9.5 million were made during 2017 and 2016, respectively.

Guarantees and Security

The obligations of the borrowers under the Senior Credit Facilities are unconditionally guaranteed by the Company and certain of the Company's existing direct or indirect wholly-owned material subsidiaries, and are required to be guaranteed by certain future direct or indirect wholly-owned material subsidiaries organized in the jurisdictions of Luxembourg, Belgium, Canada, Hong Kong, Hungary, Mexico and the United States. All obligations under the Senior Credit Facilities, and the guarantees of those obligations, are secured, subject to certain exceptions, by substantially all of the assets of the Company and the assets of certain of its direct and indirect wholly-owned subsidiaries that are borrowers and/or guarantors under the Senior Credit Facilities, including: (i) a first-priority pledge of all of the equity interests of certain of the Company's subsidiaries and each wholly-owned material restricted subsidiary of these entities (which pledge, in the case of any foreign subsidiary of a U.S. entity, is limited to 66% of the voting capital stock and 100% of the non-voting capital stock of such foreign subsidiary); and (ii) a first-priority security interest in substantially all of the tangible and intangible assets of the Company and the subsidiary guarantors.

Certain Covenants and Events of Default

The Senior Credit Facilities contain a number of customary negative covenants that, among other things and subject to certain exceptions, may restrict the ability of the Company and its subsidiaries to: (i) incur additional indebtedness; (ii) pay dividends or distributions on its capital stock or redeem, repurchase or retire its capital stock or its other indebtedness; (iii) make investments, loans and acquisitions; (iv) engage in transactions with its affiliates; (v) sell assets, including capital stock of its subsidiaries; (vi) consolidate or merge; (vii) materially alter the business it conducts; (viii) incur liens; and (ix) prepay or amend any junior debt or subordinated debt.

In addition, the Credit Agreement requires the Company and its subsidiaries to meet certain quarterly financial covenants. Commencing with the fiscal quarter ended December 31, 2016, the Company and its subsidiaries are required to maintain (i) a pro forma total net leverage ratio of not greater than 4.75:1.00, which threshold will decrease to 4.50:1.00 for test periods in 2018, 4.25:1.00 for test periods in 2019 and 4.00:1.00 for test periods in 2020, and (ii) a pro forma interest coverage ratio of not less than 3.25:1.00. The Group was in compliance with the financial covenants as of December 31, 2017.

13. Loans and Borrowings *(continued)*

(a) Non-current Obligations *(continued)*

Senior Credit Facilities *(continued)*

Certain Covenants and Events of Default *(continued)*

The Credit Agreement also contains certain customary representations and warranties, affirmative covenants and provisions relating to events of default (including upon a change of control).

Interest Rate Swaps

The Group entered into interest rate swap transactions on June 1, 2016 that became effective on December 31, 2016 and will terminate on August 31, 2021. The Group uses the interest rate swap transactions to minimize its exposure to interest rate fluctuations under the floating-rate Senior Credit Facilities by swapping certain US Dollar floating-rate bank borrowings with fixed-rate agreements. The interest rate swap agreements had initial notional amounts totaling US$1,237.0 million representing approximately 65% of the anticipated balances of the Term Loan Facilities. The notional amounts of the interest rate swap agreements decrease over time in line with required amortization and anticipated prepayments on the Term Loan Facilities. LIBOR has been fixed at approximately 1.30% under each agreement. Each of the interest rate swap agreements have fixed payments due monthly that commenced January 31, 2017. The interest rate swap transactions qualify as cash flow hedges. As of December 31, 2017 and December 31, 2016, the interest rate swaps were marked-to-market, resulting in a net asset position to the Group in the amount of US$24.5 million and US$16.1 million, respectively, which was recorded as an asset with the effective portion of the gain deferred to other comprehensive income.

Deferred Financing Costs

The Group recognized US$5.4 million of deferred financing costs during the year ended December 31, 2017 related to the Repricing. The Group recognized US$69.5 million of deferred financing costs during the year ended December 31, 2016 related to the Senior Credit Facilities. The deferred financing costs have been deferred and offset against loans and borrowings to be amortized using the effective interest method over the life of the Term Loan Facilities. The amortization of deferred financing costs, which is included in interest expense, amounted to US$13.1 million and US$5.2 million for the years ended December 31, 2017 and December 31, 2016, respectively.

(b) Current Obligations and Credit Facilities

Current obligations represent current debt and finance lease obligations as follows:

	December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Current portion of non-current loans and borrowings	**69,250**	45,813
Revolving Facility	**63,589**	10,516
Other lines of credit	**19,923**	13,410
Finance lease obligations	**98**	68
Total current obligations	**152,860**	69,807

Revolving Facility

As of December 31, 2017, US$432.6 million was available to be borrowed on the Revolving Facility as a result of US$63.6 million of outstanding borrowings and the utilization of US$3.8 million of the facility for outstanding letters of credit extended to certain creditors. As of December 31, 2016, US$486.4 million was available to be borrowed on the Revolving Facility as a result of US$10.5 million of outstanding borrowings and the utilization of US$3.1 million of the facility for outstanding letters of credit extended to certain creditors.

13. Loans and Borrowings *(continued)*

(b) *Current Obligations and Credit Facilities* (continued)

Other Loans and Borrowings

Certain consolidated subsidiaries of the Group maintain credit lines and other short-term loans with various third party lenders in the regions in which they operate. Other loans and borrowings are generally variable rate instruments denominated in the functional currency of the borrowing Group entity. These other loans and borrowings provide short-term financing and working capital for the day-to-day business operations of the subsidiaries, including overdraft, bank guarantees, and trade finance and factoring facilities. The majority of the credit lines included in other loans and borrowings are uncommitted facilities. The total aggregate amount outstanding under the local facilities was US$19.9 million and US$13.4 million as of December 31, 2017 and December 31, 2016, respectively. The uncommitted available facilities amounted to US$114.4 million and US$79.5 million as of December 31, 2017 and December 31, 2016, respectively.

(c) Reconciliation of Movements of Liabilities to Cash Flows Arising from Financing Activities

	Liabilities		Equity			
(Expressed in thousands of US Dollars)	Loans and borrowings[1]	Other non-current liabilities	Share capital	Reserves	Non-controlling interests	Total
Balance at January 1, 2017	**1,875,810**	**100,566**	**14,113**	**1,452,941**	**43,933**	**3,487,363**
Changes from financing cash flows:						
Payments on current portion of long-term debt	**(45,813)**	**—**	**—**	**—**	**—**	**(45,813)**
Proceeds from current loans and borrowings, net	**50,705**	**—**	**—**	**—**	**—**	**50,705**
Acquisition of non-controlling interest	**—**	**(15,205)**	**—**	**(11,743)**	**(4,908)**	**(31,856)**
Payment of deferred financing costs	**(5,371)**	**—**	**—**	**—**	**—**	**(5,371)**
Proceeds from the exercise of share options	**—**	**—**	**105**	**38,517**	**—**	**38,622**
Cash distributions to equity holders	**—**	**—**	**—**	**(97,000)**	**—**	**(97,000)**
Dividend payments to non-controlling interests	**—**	**—**	**—**	**—**	**(22,057)**	**(22,057)**
Total changes from financing cash flows	**(479)**	**(15,205)**	**105**	**(70,226)**	**(26,965)**	**(112,770)**
The effect of changes in foreign exchange rates	**8,740**	**4,855**	**—**	**47,648**	**2,694**	**63,937**
Other changes:						
Liability-related						
Business combinations, net of cash acquired	**—**	**173**	**—**	**—**	**—**	**173**
Interest expense	**80,189**	**—**	**—**	**—**	**—**	**80,189**
Cash paid for interest	**(66,318)**	**—**	**—**	**—**	**—**	**(66,318)**
Total other changes	**13,871**	**173**	**—**	**—**	**—**	**14,044**
Other movements in equity[2]	**—**	**—**	**—**	**346,907**	**21,228**	**368,135**
Balance at December 31, 2017	**1,897,942**	**90,389**	**14,218**	**1,777,270**	**40,890**	**3,820,709**

Notes

(1) Includes accrued interest which is included in Trade and other payables in the Consolidated Statements of Financial Position.

(2) See Consolidated Statements of Changes in Equity for further details on movements during the year.

13. Loans and Borrowings *(continued)*

(c) Reconciliation of Movements of Liabilities to Cash Flows Arising from Financing Activities *(continued)*

(Expressed in thousands of US Dollars)	Liabilities: Loans and borrowings[1]	Liabilities: Share capital	Equity: Reserves	Equity: Non-controlling interests	Total
Balance at January 1, 2016	63,011	14,098	1,345,456	39,832	1,462,397
Changes from financing cash flows:					
Proceeds from issuance of Senior Credit Facilities	1,925,000	—	—	—	1,925,000
Payments on current portion of long-term debt	(9,500)	—	—	—	(9,500)
Payments on current loans and borrowings, net	(45,211)	—	—	—	(45,211)
Payment of deferred financing costs	(69,499)	—	—	—	(69,499)
Proceeds from the exercise of share options	—	15	4,830	—	4,845
Cash distributions to equity holders	—	—	(93,000)	—	(93,000)
Dividend payments to non-controlling interests	—	—	—	(14,775)	(14,775)
Total changes from financing cash flows	1,800,790	15	(88,170)	(14,775)	1,697,860
The effect of changes in foreign exchange rates	(45)	—	(22,835)	(283)	(23,163)
Other changes:					
Liability-related					
Business combinations, net of cash acquired	4,418	—	—	—	4,418
Interest expense	43,691	—	—	—	43,691
Cash paid for interest	(36,055)	—	—	—	(36,055)
Total other changes	12,054	—	—	—	12,054
Other movements in equity[2]	—	—	218,490	19,159	237,649
Balance at December 31, 2016	1,875,810	14,113	1,452,941	43,933	3,386,797

Notes

(1) Includes accrued interest which is included in Trade and other payables in the Consolidated Statements of Financial Position.

(2) See Consolidated Statements of Changes in Equity for further details on movements during the year.

14. Employee Benefits

Employee benefits expense, which consists of payroll, pension plan expenses, share-based payments and other benefits, amounted to US$496.0 million and US$377.5 million for the years ended December 31, 2017 and December 31, 2016, respectively. Of these amounts, US$36.9 million and US$31.4 million was included in cost of sales during the years ended December 31, 2017 and December 31, 2016, respectively. The remaining amounts were presented in distribution expenses and general and administrative expenses.

Average employee headcount worldwide was approximately 12,990 and 11,061 (unaudited) for the years ending December 31, 2017 and December 31, 2016, respectively.

(a) Share-based Payment Arrangements

On September 14, 2012, the Company's shareholders adopted the Company's Share Award Scheme, which will remain in effect until September 13, 2022. The purpose of the Share Award Scheme is to attract skilled and experienced personnel, to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company. Awards under the Share Award Scheme may take the form of either share options or restricted share units ("RSUs"), which may be granted at the discretion of the Board to directors, employees or such other persons as the Board may determine.

The exercise price of share options is determined at the time of grant by the Board in its absolute discretion, but in any event shall not be less than the higher of:

a) the closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant;
b) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
c) the nominal value of the shares.

14. Employee Benefits *(continued)*

(a) Share-based Payment Arrangements *(continued)*

As of February 28, 2018 (the "Latest Practicable Date"), the maximum aggregate number of shares in respect of which awards may be granted pursuant to the Share Award Scheme is 43,562,851 shares, representing approximately 3.1% of the issued share capital of the Company at that date. An individual participant may be granted awards pursuant to the Share Award Scheme in respect of a maximum of 1% of the Company's total issued shares in any 12-month period. Any grant of awards to an individual participant in excess of this limit is subject to independent shareholder's approval.

On May 26, 2017, the Company granted share options exercisable for 22,347,216 ordinary shares to certain directors, key management personnel and other employees of the Group with an exercise price of HK$31.10 per share. Such options are subject to *pro rata* vesting over a 4-year period, with 25% of the options vesting on each anniversary date of the grant. Such options have a 10-year term.

On May 26, 2017, the Company made an additional special grant of 3,473,520 share options to two members of the Group's senior management team. The exercise price of the options granted was HK$31.10. 60% of such options will vest on May 26, 2020 and 40% will vest on May 26, 2022. Such options have a 10-year term.

In accordance with the terms of the share options, holders of vested options are entitled to buy newly issued ordinary shares of the Company at a purchase price per share equal to the exercise price of the options. The fair value of services received in return for share options granted is based on the fair value of share options granted measured using the Black-Scholes valuation model. The fair value calculated for share options is inherently subjective due to the assumptions made and the limitations of the model utilized. Any award of share options or RSUs that is forfeited without the issuance of shares may be granted again under the Share Award Scheme.

The grant-date fair value of the share options granted is generally recognized as an expense, with a corresponding increase in equity when such options represent equity-settled awards, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the vesting conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the vesting conditions at the vesting date.

The following inputs were used in the measurement of the fair value at grant date of the share-based payment for the 22,347,216 share options made on May 26, 2017:

Fair value at grant date	HK$9.46
Share price at grant date	HK$31.10
Exercise price	HK$31.10
Expected volatility (weighted average volatility)	36.0%
Option life (expected weighted average life)	6.25 years
Expected dividends	1.6%
Risk-free interest rate (based on government bonds)	1.2%

The following inputs were used in the measurement of the fair value at grant date of the share-based payment for the additional special grant of 3,473,520 share options made on May 26, 2017:

Fair value at grant date	HK$9.83
Share price at grant date	HK$31.10
Exercise price	HK$31.10
Expected volatility (weighted average volatility)	36.0%
Option life (expected weighted average life)	7 years
Expected dividends	1.6%
Risk-free interest rate (based on government bonds)	1.2%

14. Employee Benefits *(continued)*

(a) Share-based Payment Arrangements *(continued)*

Expected volatility is estimated taking into account historic average share price volatility. The expected dividends are based on the Group's history and expectation of dividend payouts.

In total, share-based compensation expense of US$20.9 million and US$15.5 million was recognized in the consolidated income statements, with the offset in equity reserves, for the years ended December 31, 2017 and December 31, 2016, respectively.

Particulars and movements of share options during the years ended December 31, 2017 and December 31, 2016 were as follows:

	Number of options	Weighted-average exercise price
Outstanding at January 1, 2017	**70,989,059**	**HK$22.93**
Granted during the period	**25,820,736**	**HK$31.10**
Exercised during the period	**(10,522,201)**	**HK$20.75**
Canceled/lapsed during the period	**(1,361,736)**	**HK$26.94**
Outstanding at December 31, 2017	**84,925,858**	**HK$25.61**
Exercisable at December 31, 2017	**20,818,997**	**HK$21.81**

	Number of options	Weighted-average exercise price
Outstanding at January 1, 2016	49,101,566	HK$21.83
Granted during the period	24,305,905	HK$24.90
Exercised during the period	(1,455,376)	HK$18.41
Canceled/lapsed during the period	(963,036)	HK$23.24
Outstanding at December 31, 2016	70,989,059	HK$22.93
Exercisable at December 31, 2016	16,625,484	HK$20.57

At December 31, 2017, the range of exercise prices for outstanding share options was HK$17.36 to HK$31.10 with a weighted average contractual life of 7.8 years. At December 31, 2016, the range of exercise prices for outstanding share options was HK$17.36 to HK$24.91 with a weighted average contractual life of 8.0 years.

No RSUs had been issued under the Share Award Scheme as of December 31, 2017.

14. Employee Benefits *(continued)*

(b) Pension Plans and Defined Benefit Schemes

(i) Plan Descriptions

Details of the significant plans sponsored by the Group are presented below.

A U.S. subsidiary of the Group sponsored a defined benefit retirement plan, the Samsonite Employee Retirement Income Plan (the "SERIP Plan"), which covered certain employee groups. Retirement benefits were based on a final average pay formula. The SERIP Plan was closed to new entrants effective December 31, 2009. Effective December 31, 2010, the SERIP Plan was frozen to suspend future benefit accruals. The SERIP Plan was terminated effective December 31, 2014. In connection with the SERIP Plan's termination, the benefits being paid to participants and beneficiaries whose pensions were in pay were continued through the purchase of an annuity contract from an insurance company. Participants whose pension payments had not started had the option to either make an election to receive a lump-sum payment that could be rolled over into an individual retirement account or other qualified plan, or receive either an immediate or a deferred vested annuity contract that would pay their benefits. In August 2016, the SERIP Plan received a determination letter from the U.S. Internal Revenue Service ("IRS") stating that the termination of the SERIP Plan did not affect its qualification for federal tax purposes. On or before December 31, 2016, substantially all SERIP Plan assets were distributed to participants and beneficiaries or used to purchase the annuity that will pay the benefits for the remaining participants (the "SERIP Plan Liquidation"). SERIP Plan management believes it has complied with all applicable laws and regulations in regards to the SERIP Plan Liquidation. No liability exists for this plan as of December 31, 2017. A liability of US$7.3 million existed for the SERIP Plan at December 31, 2016 for certain participants whose benefits were not distributed or transferred to the insurance carrier or Pension Benefit Guaranty Corporation until the first quarter of 2017 due to administrative reasons. See further discussion in note 14(b)(ii) below.

The Group also maintains a supplemental retirement plan for certain management employees. This plan was closed to new entrants effective January 1, 2010. Effective December 31, 2010, the plan was frozen to future accruals.

A U.S. subsidiary of the Group also provides health care and life insurance benefits to certain retired employees who meet certain age and years of service eligibility requirements. The plan was closed to new entrants with regards to life insurance benefits effective January 1, 2009 and was closed to new entrants with regards to medical benefits effective December 31, 2009. Eligible retirees are required to contribute to the costs of post-retirement benefits. The Group's other post-retirement benefits are not vested and the Group has the right to modify any benefit provision, including contribution requirements, with respect to any current or former employee, dependent or beneficiary. As of December 31, 2017 and December 31, 2016, the percentage of health insurance cost that the retiree must contribute was 100%.

A Belgian subsidiary of the Group sponsors a pre-pension defined benefit retirement plan to certain employees who meet certain age and years of service eligibility requirements. Benefits are calculated based on a final pay formula and are contributed until the employee reaches the legal retirement age.

14. Employee Benefits *(continued)*

(b) Pension Plans and Defined Benefit Schemes *(continued)*

(i) Plan Descriptions *(continued)*

The U.S. plans are administered by trustees, which are independent of the Group, with their assets held separately from those of the Group. These plans are funded by contributions from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuations. The latest independent actuarial valuations of the plans were as of December 31, 2017 and were prepared by independent qualified actuaries, who are members of the Society of Actuaries of the United States of America, using the projected unit credit method. The actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans were US$2.2 million and US$9.9 million as of December 31, 2017 and December 31, 2016, respectively, which were 0.0% and 0.0% funded by the plan assets held by the trustees as of December 31, 2017 and December 31, 2016, respectively.

(ii) The SERIP Plan Liquidation

The Group accounted for the SERIP Plan Liquidation in accordance with IAS 19, *Employee Benefits* ("IAS 19"). IAS 19 defines a settlement as a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that are set out in the terms of the plan and included in the actuarial assumptions. Substantially all of the participants who elected to receive a lump sum payment received such payment from SERIP Plan assets during 2016. The projected benefit obligation for participants who did not elect to receive a lump sum benefit has been satisfied by the annuity contracts purchased with a combination of SERIP Plan and Group assets. As a result of this process, the Group will no longer be obligated to pay such benefits.

In accordance with IAS 19, the net defined benefit liability was recalculated by the Group's third party actuary immediately prior to the SERIP Plan Liquidation. In conjunction with this remeasurement, the Group recognized a settlement gain in the amount of US$6.0 million in its consolidated income statements for the year ended December 31, 2016. Of the US$6.0 million, US$1.5 million was presented within general and administrative expenses with the remainder in other expenses in the consolidated income statements for the year ended December 31, 2016.

Per IAS 19, remeasurements of the net defined benefit liability recognized in accumulated other comprehensive income shall not be reclassified to profit or loss in a subsequent period. However, an entity may transfer those amounts recognized in accumulated other comprehensive income within equity categories. During 2016, in conjunction with the SERIP Plan Liquidation, accumulated other comprehensive income attributable to the SERIP Plan in the amount of US$141.7 million was transferred to retained earnings, while the related US$53.9 million of deferred tax asset was derecognized from the consolidated statements of financial position and from accumulated other comprehensive income.

The Group had US$53.9 million of deferred tax asset recognized against accumulated other comprehensive income. Per IAS 12, *Income Taxes* ("IAS 12"), deferred tax assets or liabilities shall be recognized outside profit or loss if those relate to pre-tax items that have been recognized, in the same or a different period, outside of profit or loss. Therefore, the derecognition of deferred tax assets or liabilities that related to pre-tax items that originally have been recognized in other comprehensive income shall be presented in other comprehensive income accordingly. Hence, the US$53.9 million of derecognized deferred tax asset was released through other comprehensive income during 2016.

14. Employee Benefits *(continued)*

(b) Pension Plans and Defined Benefit Schemes *(continued)*

(ii) The SERIP Plan Liquidation *(continued)*

In conjunction with the SERIP Plan Liquidation, US$56.8 million of deferred tax liabilities that were originally recognized as deferred income tax expense at the time of related cash contributions to the U.S. SERIP Plan were derecognized, creating a non-cash tax benefit for the same amount on the consolidated income statements for the year ended December 31, 2016. Per IAS 12, in the case of deferred tax assets or liabilities that have been originally recognized through deferred tax income or an expense are derecognized in a subsequent period, those reversals will be presented within profit or loss accordingly. Hence, the US$56.8 million of derecognized deferred tax liability was released through deferred tax income during 2016. See also note 18(a).

(iii) Amounts Recognized in the Consolidated Statements of Financial Position for the Group's Significant Plans

	December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Present value of unfunded obligations	**(17,694)**	(15,541)
Present value of partly funded obligations	**—**	(7,302)
Net pension liability	**(17,694)**	(22,843)
Experience adjustments arising on plan liabilities	**95**	3,300

The net pension liability is recorded in employee benefits in the consolidated statements of financial position. The Group does not have net unrecognized actuarial losses as the Group recognizes all actuarial gains and losses in accumulated other comprehensive income.

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate the amount from the amounts payable in the next twelve months, as future contributions will also relate to future changes in actuarial assumptions and market conditions. The Group estimates that the benefit payments for the pension and post-retirement benefits will be approximately US$0.7 million during 2018 and between US$0.8 million and US$1.2 million each year from 2019 through 2022.

The net pension liability is shown below:

	December 31, 2017			
(Expressed in thousands of US Dollars)	**U.S. pension benefits**	**U.S. post-retirement benefits**	**Belgium retirement benefits**	**Total**
Present value of the defined benefit obligation	**(2,245)**	**(1,582)**	**(13,867)**	**(17,694)**
Fair value of plan assets	**—**	**—**	**—**	**—**
Net liability	**(2,245)**	**(1,582)**	**(13,867)**	**(17,694)**

14. Employee Benefits *(continued)*

(b) Pension Plans and Defined Benefit Schemes *(continued)*

(iii) Amounts Recognized in the Consolidated Statements of Financial Position for the Group's Significant Plans *(continued)*

(Expressed in thousands of US Dollars)	U.S. pension benefits	U.S. post-retirement benefits	Belgium retirement benefits	Total
	December 31, 2016			
Present value of the defined benefit obligation	(9,915)	(1,631)	(11,297)	(22,843)
Fair value of plan assets	—	—	—	—
Net liability	(9,915)	(1,631)	(11,297)	(22,843)

(iv) Movements in the Present Value of the Defined Benefit Obligations for the Group's Significant Plans

(Expressed in thousands of US Dollars)	**U.S. pension benefits**	**U.S. post-retirement benefits**	**Belgium retirement benefits**	**Total**
	Year ended December 31, 2017			
Change in benefit obligation:				
Benefit obligation at January 1	**9,915**	**1,631**	**11,297**	**22,843**
Service cost	**(4,376)**	**—**	**875**	**(3,501)**
Interest cost	**109**	**60**	**168**	**337**
Plan participants' contributions	**—**	**107**	**—**	**107**
Remeasurements	**106**	**(98)**	**85**	**93**
Benefits paid	**(164)**	**(117)**	**(205)**	**(486)**
Settlement payments from employer	**(377)**	**—**	**—**	**(377)**
Settlement payments from plan assets	**(2,969)**	**—**	**—**	**(2,969)**
Foreign exchange adjustments	**—**	**—**	**1,647**	**1,647**
Benefit obligation at December 31	**2,244**	**1,583**	**13,867**	**17,694**

(Expressed in thousands of US Dollars)	U.S. pension benefits	U.S. post-retirement benefits	Belgium retirement benefits	Total
	Year ended December 31, 2016			
Change in benefit obligation:				
Benefit obligation at January 1	227,426	1,681	9,837	238,944
Service cost	(5,962)	—	914	(5,048)
Interest cost	7,443	65	176	7,684
Plan participants' contributions	—	129	—	129
Remeasurements	16,122	(110)	1,005	17,017
Benefits paid	(13,904)	(134)	(238)	(14,276)
Settlement payments from plan assets	(221,210)	—	—	(221,210)
Foreign exchange adjustments	—	—	(397)	(397)
Benefit obligation at December 31	9,915	1,631	11,297	22,843

14. Employee Benefits *(continued)*

(b) Pension Plans and Defined Benefit Schemes *(continued)*

(v) Movement in Plan Assets for the Group's Significant Plans

(Expressed in thousands of US Dollars)	**Year ended December 31, 2017**			
	U.S. pension benefits	**U.S. post-retirement benefits**	**Belgium retirement benefits**	**Total**
Change in plan assets:				
Fair value of plan assets at January 1	**—**	**—**	**—**	**—**
Interest income	**—**	**—**	**—**	**—**
Remeasurements	**—**	**—**	**—**	**—**
Employer contributions	**3,510**	**10**	**205**	**3,725**
Plan participants' contributions	**—**	**107**	**—**	**107**
Benefits paid	**(164)**	**(117)**	**(205)**	**(486)**
Settlement payments from employer	**(377)**	**—**	**—**	**(377)**
Settlement payments from plan assets	**(2,969)**	**—**	**—**	**(2,969)**
Administrative expenses	**—**	**—**	**—**	**—**
Fair value of plan assets at December 31	**—**	**—**	**—**	**—**

(Expressed in thousands of US Dollars)	Year ended December 31, 2016			
	U.S. pension benefits	U.S. post-retirement benefits	Belgium retirement benefits	Total
Change in plan assets:				
Fair value of plan assets at January 1	206,378	—	—	206,378
Interest income	7,139	—	—	7,139
Remeasurements	9,578	—	—	9,578
Employer contributions	13,148	5	238	13,391
Plan participants' contributions	—	129	—	129
Benefits paid	(13,904)	(134)	(238)	(14,276)
Settlement payments from plan assets	(221,210)	—	—	(221,210)
Administrative expenses	(1,129)	—	—	(1,129)
Fair value of plan assets at December 31	—	—	—	—

14. Employee Benefits *(continued)*

(b) Pension Plans and Defined Benefit Schemes *(continued)*

(vi) Remeasurements Recognized in Other Comprehensive Income for the Group's Significant Plans

(Expressed in thousands of US Dollars)	**Year ended December 31, 2017** U.S. pension benefits	U.S. post-retirement benefits	Belgium retirement benefits	Total
Cumulative amount at January 1	**2,857**	**(4,062)**	**2,248**	**1,043**
Effect of changes in demographic assumptions	**—**	**—**	**—**	**—**
Effect of changes in financial assumptions	**92**	**57**	**(151)**	**(2)**
Effect of experience adjustments	**14**	**(155)**	**236**	**95**
(Return) on plan assets (excluding interest income)	**—**	**—**	**—**	**—**
SERIP Plan Liquidation	**—**	**—**	**—**	**—**
Cumulative amount at December 31	**2,963**	**(4,160)**	**2,333**	**1,136**

(Expressed in thousands of US Dollars)	Year ended December 31, 2016 U.S. pension benefits	U.S. post-retirement benefits	Belgium retirement benefits	Total
Cumulative amount at January 1	137,931	(3,952)	1,243	135,222
Effect of changes in demographic assumptions	—	—	(45)	(45)
Effect of changes in financial assumptions	13,179	37	546	13,762
Effect of experience adjustments	2,943	(147)	504	3,300
(Return) on plan assets (excluding interest income)	(9,449)	—	—	(9,449)
SERIP Plan Liquidation	(141,747)	—	—	(141,747)
Cumulative amount at December 31	2,857	(4,062)	2,248	1,043

14. Employee Benefits *(continued)*

(b) Pension Plans and Defined Benefit Schemes *(continued)*

(vii) Costs (Gains) Recognized in the Consolidated Income Statement for the Group's Significant Plans

(Expressed in thousands of US Dollars)	**Year ended December 31, 2017** U.S. pension benefits	U.S. post-retirement benefits	Belgium retirement benefits	Total
Service cost (gain)	**(4,376)**	**—**	**875**	**(3,501)**
Interest expense on defined benefit obligation	**109**	**60**	**168**	**337**
Total net periodic benefit cost (gain)	**(4,267)**	**60**	**1,043**	**(3,164)**

(Expressed in thousands of US Dollars)	Year ended December 31, 2016 U.S. pension benefits	U.S. post-retirement benefits	Belgium retirement benefits	Total
Service cost (gain)	(5,962)	—	914	(5,048)
Interest expense on defined benefit obligation	7,443	65	177	7,685
Interest (income) on plan assets	(7,139)	—	—	(7,139)
Administrative expenses	1,000	—	—	1,000
Total net periodic benefit cost (gain)	(4,658)	65	1,091	(3,502)

The expense (gain) is recognized in the following line items in the consolidated income statements:

(Expressed in thousands of US Dollars)	**Year ended December 31,** **2017**	2016
General and administrative expenses	**(3,163)**	(6,990)
Other expenses	**(1)**	3,488
	(3,164)	(3,502)

Pension expense included in other income and expense relates to the actuarial determined pension expense associated with the pension plans of two companies unrelated to the Group's current operations whose pension obligations were assumed by the Group as a result of a 1993 agreement with the Pension Benefit Guaranty Corporation (the "PBGC"). The plans were part of a controlled company of corporations of which the Group was a part of, prior to 1993.

14. Employee Benefits *(continued)*

(b) Pension Plans and Defined Benefit Schemes *(continued)*

(viii) Actuarial Assumptions Used for the Group's Significant Plans

	U.S. pension benefits	U.S. post-retirement benefits	Belgium retirement benefits
2017			
Weighted average assumptions used to determine benefit obligations as of December 31:			
Discount rate	**3.46%**	**3.43%**	**1.50%**
Rate of compensation increase	**N/A**	**N/A**	**—**
Rate of price inflation	**N/A**	**N/A**	**1.75%**
Weighted average assumptions used to determine net periodic benefit cost for the year ended December 31:			
Discount rate	**3.89%**	**3.82%**	**1.40%**
Rate of compensation increase	**—**	**N/A**	**—**
2016			
Weighted average assumptions used to determine benefit obligations as of December 31:			
Discount rate	3.89%	3.82%	1.40%
Rate of compensation increase	N/A	N/A	—
Rate of price inflation	N/A	N/A	1.75%
Weighted average assumptions used to determine net periodic benefit cost for the year ended December 31:			
Discount rate	4.07%	4.07%	1.80%
Rate of compensation increase	—	N/A	—

There were no plan assets held during the year ended December 31, 2017. The actual rate of return on assets for the year ended December 31, 2016 was 10.3%.

The discount rate is based on a high-grade bond yield curve under which benefits were projected and discounted at spot rates along the curve. The discount rate was then determined as a single rate yielding the same present value.

For post-retirement benefit measurement purposes, a 6.5% annual rate of increase in the per capita cost of covered health care benefits is assumed for the year ended December 31, 2018. The rate is assumed to decrease gradually to 4.5% for the year ended December 31, 2027 and remain at that level thereafter.

14. Employee Benefits *(continued)*

(b) Pension Plans and Defined Benefit Schemes *(continued)*

(viii) Actuarial Assumptions Used for the Group's Significant Plans *(continued)*

Reasonably possible changes as of the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	December 31, 2017	
(Expressed in thousands of US Dollars)	**Increase**	**Decrease**
Discount rate (50 basis points)	**(936)**	**1,022**
Medical cost trend rate (1% movement)	**5**	**(6)**

The estimated benefit obligation (the actuarial present value of benefits attributed to employee service and compensation levels prior to the measurement date without considering future compensation levels) exceeded the fair value of plan assets as of December 31, 2017 and December 31, 2016 by US$17.7 million and US$22.8 million, respectively.

(ix) Fair Values of the Assets Held by the U.S. Pension Plan by Major Asset Category for the Group's Significant Plans

Prior to December 31, 2016, substantially all SERIP Plan assets were distributed to participants and beneficiaries or used to purchase the annuity contract in conjunction with the SERIP Plan Liquidation. See further discussion in note 14(b)(ii).

(x) Historical Information for the Group's Significant Plans

	December 31,				
(Expressed in thousands of US Dollars)	**2017**	2016	2015	2014	2013
Present value of the defined benefit obligation	**(17,694)**	(22,843)	(238,944)	(257,387)	(228,137)
Fair value of plan assets	**—**	—	206,378	213,991	199,102
Net liability	**(17,694)**	(22,843)	(32,566)	(43,396)	(29,035)
Experience adjustments arising on plan liabilities	**95**	3,300	270	1,878	(1,084)

(c) Defined Contribution Plan

A U.S. subsidiary of the Group provides a defined contribution 401(k) retirement plan. The plan covers substantially all non-union employees of the subsidiary for the sole purpose of encouraging participants to save for retirement. Plan participants may contribute up to 75% of their compensation to the plan, a percentage of which is matched by the Group. The Group may also make non-elective contributions to participants' accounts. Participant contributions and the earnings thereon are fully

14. Employee Benefits *(continued)*

(c) Defined Contribution Plan *(continued)*

vested upon contribution. Participants become vested in the matching and non-elective contributions upon completion of two and three years of service, respectively. Forfeited contributions made by the Group are used to reduce future matching contributions and/or administrative expenses.

In connection with this plan, the Group recognized an expense of US$4.7 million and US$3.6 million for the years ended December 31, 2017 and December 31, 2016, respectively. Forfeited contributions were inconsequential for the periods presented.

(d) Samsonite LLC's U.S. Pension Plan Settlement Agreement

Samsonite LLC (a U.S. subsidiary of the Group) and the PBGC are party to a Settlement Agreement under which PBGC was granted an equal and ratable lien on certain domestic assets of Samsonite LLC and certain of its U.S. subsidiaries (excluding any equity interests in subsidiaries and any inventory or accounts receivable of Samsonite LLC or its U.S. subsidiaries), together with Samsonite's intellectual property rights in the U.S. and Samsonite's rights under licenses of such intellectual property to affiliates or third parties. The PBGC's lien, which is in the amount of US$39.3 million, is equal and ratable with the lien granted over such assets to Samsonite's senior secured lenders. Other provisions of the agreement restrict the transfer of U.S. assets outside of the ordinary course of business. The Group is in compliance with these requirements as of December 31, 2017.

The agreement will expire upon (a) the Group obtaining investment grade status on its senior unsecured debt, (b) the date the plan has no unfunded benefit liabilities for two consecutive plan years, (c) the date on which the Group becomes part of a controlled company whose unsecured debt has investment grade status, or (d) the date the plan is successfully terminated.

15. Commitments

(a) Capital Commitments

Capital commitments outstanding as of December 31, 2017 and December 31, 2016 were US$11.4 million and US$3.6 million, respectively, which were not recognized as liabilities in the consolidated statements of financial position as they have not met the recognition criteria.

(b) Operating Lease Commitments

The Group's lease obligations primarily consist of non-cancellable leases of office, warehouse and retail store space and equipment. As of December 31, 2017 and December 31, 2016, future minimum payments under non-cancellable leases were as follows:

	December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Within one year	**158,868**	139,664
After one year but within two years	**131,689**	111,490
After two years but within five years	**249,927**	211,979
More than five years	**151,202**	139,195
Total operating lease commitments	**691,686**	602,328

Certain of the leases are renewable at the Group's option. Certain of the leases also contain rent escalation clauses that require additional rents in later years of the lease term, which are recognized on a straight-line basis over the lease term.

Rental expense under cancellable and non-cancellable operating leases amounted to US$207.4 million and US$156.9 million for the years ended December 31, 2017 and December 31, 2016, respectively. Certain of the retail leases provide for additional rent payments based on a percentage of sales. These additional rent payments amounted to US$3.4 million and US$1.8 million for the years ended December 31, 2017 and December 31, 2016, respectively, and are included in rent expense.

16. Contingent Liabilities

In the ordinary course of business, the Group is subject to various forms of litigation and legal proceedings. The facts and circumstances relating to particular cases are evaluated in determining whether it is more likely than not that there will be a future outflow of funds and, once established, whether a provision relating to specific litigation is sufficient. The Group records provisions based on its past experience and on facts and circumstances known at each reporting date. The provision charge is recognized within general and administrative expenses in the consolidated income statements. When the date of the incurrence of an obligation is not reliably measureable, the provisions are not discounted and are classified in current liabilities.

The Group did not settle any significant litigation during the year ended December 31, 2017.

17. Trade and Other Payables

(Expressed in thousands of US Dollars)	December 31, **2017**	2016
Accounts payable	**554,022**	386,754
Other payables and accruals	**173,750**	141,677
Other tax payables	**9,305**	5,341
Total trade and other payables	**737,077**	533,772

Included in accounts payable are trade payables with the following aging analysis by due date of the respective invoice:

(Expressed in thousands of US Dollars)	December 31, **2017**	2016
Current	**432,086**	290,703
0–30 days past due	**25,662**	10,991
Greater than 30 days past due	**3,556**	2,429
Total trade payables	**461,304**	304,123

18. Income Taxes

(a) Taxation in the Consolidated Income Statements

Taxation in the consolidated income statements for the years ended December 31, 2017 and December 31, 2016 consisted of the following:

(Expressed in thousands of US Dollars)	Year ended December 31, **2017**	2016
Current tax expense — Hong Kong Profits Tax:		
Current period	**629**	(85)
Current tax expense — Foreign:		
Current period	**(116,126)**	(83,134)
Adjustment for prior periods	**(3,834)**	1,142
Total current tax expense — Foreign	**(119,960)**	(81,992)
Total current tax expense	**(119,331)**	(82,077)
Deferred tax benefit (expense):		
Origination and reversal of temporary differences	**26,439**	18,576
SERIP Plan Liquidation	**—**	56,773
Change in tax rate	**118,772**	8,777
Change in recognized temporary differences	**(1,686)**	111
Total deferred tax benefit	**143,525**	84,237
Total income tax benefit	**24,194**	2,160

18. Income Taxes *(continued)*

(a) Taxation in the Consolidated Income Statement *(continued)*

For the year ended December 31, 2017, the Group recorded an income tax benefit of US$24.2 million compared with an income tax benefit of US$2.2 million for the year ended December 31, 2016. For the year ended December 31, 2017, the Group recorded a non-cash income tax benefit of US$118.8 million in conjunction with the U.S. tax reform law that was enacted in December 2017 (the “2017 U.S. Tax Reform”). This benefit resulted from the application of the reduced U.S. corporate income tax of 21% (from 35%) to the net deferred tax liability balance. In addition, the Group incurred a tax expense of US$7.6 million associated with a legal entity reorganization following the Tumi acquisition. Together with the 2017 U.S. Tax Reform, these items resulted in a net tax benefit to the Group of US$111.2 million (the “2017 Net Tax Benefits”). Excluding these tax impacts, the Group’s effective tax rate for the year ended December 31, 2017 was 26.3%.

For the year ended December 31, 2016, the Group purchased an annuity to liquidate the Samsonite Employee Retirement Income Plan (the “SERIP Plan”), the Group’s principal defined benefit plan in the U.S. In conjunction with this liquidation (the “SERIP Plan Liquidation”), the Group recorded a US$56.8 million non-cash tax benefit related to the derecognition of deferred tax liabilities that originated from contributions to the pension plan in prior years. Excluding this tax benefit and the tax benefit resulting from the Tumi acquisition-related costs, the Group’s effective tax rate for the year ended December 31, 2016 was 27.8%.

The Group’s consolidated effective tax rate for operations was a tax benefit of 7.3% and 0.8% for the years ended December 31, 2017 and December 31, 2016, respectively. The effective tax rate is calculated using a weighted average income tax rate from those jurisdictions in which the Group is subject to tax, adjusted for permanent book/tax differences, tax incentives, changes in tax reserves and changes in unrecognized deferred tax assets. The decrease in the Group’s effective tax rate, excluding the net tax benefits in 2017 and 2016 identified above, was mainly the result of a tax benefit derived from share-based compensation and normal changes in the profit mix between high and low tax jurisdictions.

See discussion regarding the SERIP Plan Liquidation and the related tax impacts in note 14(b)(ii).

The provision for Hong Kong Profits Tax for the years ended December 31, 2017 and December 31, 2016 was calculated at an effective tax rate of 16.5% of the estimated assessable profits for the year. Taxation for overseas subsidiaries was charged at the appropriate current rates of taxation in the relevant countries.

2017 U.S. Tax Reform Impact:

The Group has conducted a comprehensive review of the overall impact of the 2017 U.S. Tax Reform. For 2017, the Group has applied the income tax rate reduction to deferred tax assets (“DTAs”) and deferred tax liabilities (“DTLs”) the impact of which is described above. The transition tax, repatriation of offshore earnings, has been deemed immaterial for 2017. For the years after 2017, the Group believes it will be subject to the Foreign Derived Intangible Income (“FDII”) regulations, the Base Erosion and Anti Avoidance tax (“BEAT”) regulations and the Interest Limitations regulations. The Group does not believe the Global Intangible Low Taxed Income (“GILTI”) provisions will apply to its’ operations.

18. Income Taxes *(continued)*

(b) Reconciliation Between Tax Benefit and Profit Before Taxation at Applicable Tax Rates

(Expressed in thousands of US Dollars)	Year ended December 31, 2017	2016
Profit for the year	**355,441**	274,825
Total income tax benefit	**24,194**	2,160
Profit before income tax	**331,247**	272,665
Income tax (expense) benefit using the Group's applicable tax rate	**(89,768)**	(75,256)
Tax incentives	**29,429**	27,029
SERIP Plan Liquidation	**—**	56,773
Change in tax rates — non-U.S.	**(19)**	8,777
Change in tax rates — U.S.	**118,791**	—
Change in tax reserves	**(6,300)**	2,937
Non-deductible expenses	**(13,433)**	(11,552)
Change in tax effect of undistributed earnings	**(1,082)**	1,281
Current year losses for which no deferred tax assets are recognized	**(4,566)**	(2,623)
Recognition of previously unrecognized tax losses	**1,195**	111
Change in recognized temporary differences	**1,685**	—
Share-based compensation	**5,271**	(3,276)
Tax impact of legal entity reorganization	**(7,559)**	—
Withholding taxes	**(6,001)**	(5,304)
Other	**385**	2,121
(Under) over provided in prior periods	**(3,834)**	1,142
	24,194	2,160

The provision for taxation for the years ended December 31, 2017 and December 31, 2016 was calculated using the Group's applicable tax rate of 27.1% and 27.6%, respectively. The applicable rate was based on the Group's weighted average worldwide tax rate.

Uncertain Tax Positions

In the ordinary course of business, the Group is subject to various forms of tax examination and audits. The facts and circumstances relating to particular examinations are evaluated in determining whether it is more likely than not that there will be a future outflow of funds and, once established, whether a tax reserve relating to specific uncertain tax positions is required. The Group records tax reserves based on its past experience and on facts and circumstances known at each reporting date. The provision charge and applicable interest and penalties are recognized within current income tax expense in the consolidated income statements.

Notes to the Consolidated Financial Statements *(continued)*

18. Income Taxes *(continued)*

(c) Income Tax Benefit (Expense) Recognized in Other Comprehensive Income

(Expressed in thousands of US Dollars)	**Year ended December 31, 2017**			Year ended December 31, 2016		
	Before tax	**Income tax (expense) benefit**	**Net of tax**	Before tax	Income tax (expense) benefit	Net of tax
Remeasurements on benefit plans	**(1,589)**	**546**	**(1,043)**	(8,442)	88	(8,354)
Deferred tax impact of SERIP Plan Liquidation	**—**	**—**	**—**	—	(53,899)	(53,899)
Foreign exchange forward contracts	**(6,230)**	**1,954**	**(4,276)**	(992)	335	(657)
Interest rate swaps	**8,348**	**(1,653)**	**6,695**	16,150	(4,719)	11,431
Foreign currency translation differences for foreign operations	**50,342**	**—**	**50,342**	(23,118)	—	(23,118)
	50,871	**847**	**51,718**	(16,402)	(58,195)	(74,597)

(d) Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities were attributable to the following:

(Expressed in thousands of US Dollars)	**December 31, 2017**	December 31, 2016
Deferred tax assets:		
Allowance for doubtful accounts	**2,355**	2,542
Inventory	**11,091**	11,617
Plant and equipment	**4,860**	8,015
Pension and post-retirement benefits	**8,636**	10,703
Share-based compensation	**11,986**	1,287
Tax losses	**15,865**	3,106
Reserves	**34,415**	43,454
Other	**6,370**	4,440
Set off of tax	**(29,074)**	(29,157)
Total gross deferred tax assets	**66,504**	56,007
Deferred tax liabilities:		
Plant and equipment	**(9,473)**	(21,330)
Intangible assets	**(327,566)**	(451,359)
Other	**(12,959)**	(13,008)
Set off of tax	**29,074**	29,157
Total gross deferred tax liabilities	**(320,924)**	(456,540)
Net deferred tax liability	**(254,420)**	(400,533)

18. Income Taxes *(continued)*

(d) Deferred Tax Assets and Liabilities (continued)

The movement in temporary differences for the years ended December 31, 2017 and December 31, 2016 was:

(Expressed in thousands of US Dollars)	Balance, December 31, 2016	**Recognized in profit or loss**	**Purchase accounting**	**Recognized in equity[1]**	**Other[2]**	**Balance, December 31, 2017**
Allowance for doubtful accounts	2,542	**(306)**	**2**	**—**	**117**	**2,355**
Inventory	11,617	**(1,123)**	**296**	**—**	**301**	**11,091**
Property, plant and equipment	(13,315)	**8,929**	**115**	**—**	**(342)**	**(4,613)**
Intangible assets	(451,359)	**143,775**	**(20,022)**	**—**	**40**	**(327,566)**
Pension and post-retirement benefits	10,703	**(3,218)**	**—**	**546**	**605**	**8,636**
Share-based compensation	1,287	**6,523**	**—**	**4,102**	**74**	**11,986**
Tax losses	3,106	**(3,172)**	**15,934**	**—**	**(3)**	**15,865**
Reserves	43,454	**(10,563)**	**943**	**—**	**581**	**34,415**
Other	(8,568)	**2,680**	**—**	**301**	**(1,002)**	**(6,589)**
Net deferred tax asset (liability)	(400,533)	**143,525**	**(2,732)**	**4,949**	**371**	**(254,420)**

Notes

(1) Income tax benefit of US$0.8 million recognized in other comprehensive income and the tax effect of outstanding stock options of US$4.1 million recognized in other reserves in the consolidated statements of changes in equity.

(2) Other comprises primarily foreign exchange rate effects.

(Expressed in thousands of US Dollars)	Balance, December 31, 2015	Recognized in profit or loss	Purchase accounting	Recognized in other comprehensive income	Other[1]	Balance, December 31, 2016
Allowance for doubtful accounts	2,177	36	350	—	(21)	2,542
Inventory	8,790	2,230	702	—	(105)	11,617
Property, plant and equipment	(1,676)	1,512	(13,140)	—	(11)	(13,315)
Intangible assets	(97,986)	11,935	(365,470)	—	162	(451,359)
Pension and post-retirement benefits	14,324	50,460	—	(53,811)	(270)	10,703
Share-based compensation	1,754	(378)	—	—	(89)	1,287
Tax losses	3,447	128	(48)	—	(421)	3,106
Reserves	19,544	11,837	12,073	—	—	43,454
Other	(5,862)	6,477	(4,650)	(4,384)	(149)	(8,568)
Net deferred tax asset (liability)	(55,488)	84,237	(370,183)	(58,195)	(904)	(400,533)

Note

(1) Other comprises primarily foreign exchange rate effects.

Unrecognized Deferred Tax Assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Deductible temporary differences	**5,921**	4,239
Tax losses	**63,676**	63,694
Balance at end of year	**69,597**	67,933

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits from them.

18. Income Taxes *(continued)*

Unrecognized Deferred Tax Assets *(continued)*

Available tax losses (recognized and unrecognized):

(Expressed in thousands of US Dollars)	December 31, 2017	2016
North America	**38,037**	—
Asia	**2,079**	2,192
Europe	**42,339**	40,985
Latin America	**41,759**	31,075
Total	**124,214**	74,252

Tax losses expire in accordance with local country tax regulations. North American losses will expire beginning in 2019, Asian losses will expire starting in 2021. European losses will expire beginning in 2020. Latin American losses will expire beginning in 2019.

Unrecognized Deferred Tax Liabilities

As of December 31, 2017 and December 31, 2016, a deferred tax liability of US$27.2 million and US$31.0 million, respectively, related to investments in subsidiaries is not recognized because the Group controls whether the liability will be incurred and it is satisfied that the temporary difference will not be reversed in the foreseeable future.

19. Finance Income and Finance Costs

The following table presents a summary of finance income and finance costs recognized in the consolidated income statements and consolidated statements of comprehensive income:

(Expressed in thousands of US Dollars)	Year ended December 31, 2017	2016
Recognized in income or loss:		
Interest income on bank deposits	**1,310**	1,253
Total finance income	**1,310**	1,253
Interest expense on financial liabilities measured at amortized cost	**(80,189)**	(43,691)
Change in fair value of put options	**(2,966)**	(9,119)
Net foreign exchange loss	**(5,976)**	(3,660)
Other finance costs	**(4,815)**	(3,319)
Total finance costs	**(93,946)**	(59,789)
Net finance costs recognized in profit or loss	**(92,636)**	(58,536)
Recognized in other comprehensive income (loss):		
Foreign currency translation differences for foreign operations	**50,342**	(23,118)
Changes in fair value of foreign exchange forward contracts	**(6,230)**	(992)
Changes in fair value of interest rate swaps	**8,348**	16,150
Income tax on finance income and finance costs recognized in other comprehensive income	**301**	(4,384)
Net finance costs recognized in total other comprehensive income, net of tax	**52,761**	(12,344)
Attributable to:		
Equity holders of the Company	**50,067**	(12,032)
Non-controlling interests	**2,694**	(312)

20. Expenses

Profit before income tax was arrived at after charging the following for the years ended December 31, 2017 and December 31, 2016:

	Year ended December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Depreciation of fixed assets	**85,117**	66,785
Amortization of intangible assets	**32,808**	22,456
Auditors' remuneration	**6,517**	7,666
Research and development	**29,913**	25,395
Operating lease charges in respect of properties	**207,359**	156,939

The fees in relation to the audit and related services for the years ended December 31, 2017 and December 31, 2016 provided by KPMG LLP and its foreign member firms, the external auditors of the Group, were as follows:

	Year ended December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Annual audit and interim review services(1)	**5,313**	5,355
Due diligence and other acquisition-related non-audit services(2)	**—**	1,493
Permitted tax services	**1,050**	690
Other non-audit related services	**154**	128
Total	**6,517**	7,666

Notes

(1) The year ended December 31, 2016 includes non-recurring services provided in conjunction with the June 27, 2016 circular filing, as well as opening balance sheet and purchase price allocation procedures, associated with the acquisition of Tumi Holdings, Inc. totaling US$1.1 million.

(2) Primarily comprised of fees associated with financial due diligence and integration planning performed in conjunction with the acquisition of Tumi Holdings, Inc. during the year ended December 31, 2016.

21. Financial Risk Management and Financial Instruments

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

(a) Risk Management

The Company's Board of Directors is responsible for ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board of Directors has delegated to the Audit Committee the responsibility for reviewing the Group's risk management and internal control systems. The Company's management, under the oversight of the Board of Directors, is responsible for the design, implementation and monitoring of the Company's risk management and internal control systems.

21. Financial Risk Management and Financial Instruments *(continued)*

(b) Exposure to Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. Maximum exposure is limited to the carrying amounts of the financial assets presented in the consolidated financial statements.

Trade and Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The percentage of the Company's net sales and trade and other receivables that were attributable to the Group's five largest customers was less than 30% as of and for the year ended December 31, 2017. There were no concentrations of credit risk associated with any single customer on the Group's sales for the periods presented or trade and other receivables as of the reporting date. Geographically there is no concentration of credit risk.

The Group has established a credit policy under which each new customer is analyzed individually for credit worthiness before the Group's standard payment and delivery terms and conditions are offered.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including aging profile, and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers. Customers that are graded as "high risk" are placed on credit hold and monitored by the Group, and future sales are made on an approval basis.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Trade and other receivables	**411,457**	357,790

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
North America	**142,420**	130,755
Asia	**162,410**	131,257
Europe	**63,323**	54,045
Latin America	**25,142**	22,329
Total trade receivables	**393,295**	338,386

21. Financial Risk Management and Financial Instruments *(continued)*

(c) Exposure to Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities.

The Group's primary sources of liquidity are its cash flows from operating activities, invested cash, available lines of credit (note 13(b)) and, subject to shareholder approval, its ability to issue additional shares. The Group believes that its existing cash and estimated cash flows, along with current working capital, will be adequate to meet the operating and capital requirements of the Group for at least the next twelve months.

The following are the contractual maturities of derivative and non-derivative financial assets and liabilities:

	December 31, 2017					
(Expressed in thousands of US Dollars)	**Carrying amount**	**Contractual cash flows**	**Less than one year**	**1–2 years**	**2–5 years**	**More than 5 years**
Non-derivative financial liabilities:						
Trade and other payables	**737,077**	**737,077**	**737,077**	**—**	**—**	**—**
Term Loan Facilities	**1,869,688**	**1,869,688**	**69,250**	**77,062**	**1,090,563**	**632,813**
Revolving Facility	**63,589**	**63,589**	**63,589**	**—**	**—**	**—**
Other lines of credit	**19,923**	**19,923**	**19,923**	**—**	**—**	**—**
Finance lease obligations	**337**	**337**	**98**	**102**	**106**	**31**
Minimum operating lease payments	**—**	**691,686**	**158,868**	**131,689**	**249,927**	**151,202**
Derivative financial instruments:						
Interest rate swap agreements — assets	**24,497**	**44,773**	**14,589**	**12,993**	**17,191**	**—**
Foreign exchange forward contracts — liabilities	**2,120**	**117,417**	**117,417**	**—**	**—**	**—**

	December 31, 2016					
(Expressed in thousands of US Dollars)	Carrying amount	Contractual cash flows	Less than one year	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities:						
Trade and other payables	533,772	533,772	533,772	—	—	—
Term Loan Facilities	1,915,500	1,915,500	45,813	69,249	1,160,875	639,563
Revolving Facility	10,516	10,516	10,516	—	—	—
Other lines of credit	13,410	13,410	13,410	—	—	—
Finance lease obligations	283	283	68	70	145	—
Minimum operating lease payments	—	602,328	139,664	111,490	211,979	139,195
Derivative financial instruments:						
Interest rate swap agreements — assets	16,149	60,449	15,750	14,508	30,191	—
Foreign exchange forward contracts — assets	3,137	95,360	95,360	—	—	—

The future cash flows on derivative instruments may be different from the amount in the tables above as interest rates and foreign exchange rates change.

21. Financial Risk Management and Financial Instruments *(continued)*

(c) Exposure to Liquidity Risk (continued)

The following table indicates the periods in which the cash flows associated with derivatives, that are cash flow hedges, are expected to occur and impact profit or loss.

(Expressed in thousands of US Dollars)	Carrying amount	Expected cash flows	Less than one year	1–2 years	2–5 years	More than 5 years
December 31, 2017:						
Interest rate swap agreements — assets	**24,497**	**44,773**	**14,589**	**12,993**	**17,191**	**—**
Foreign exchange forward contracts — liabilities	**2,120**	**117,417**	**117,417**	**—**	**—**	**—**
December 31, 2016:						
Interest rate swap agreements — assets	16,149	60,449	15,750	14,508	30,191	—
Foreign exchange forward contracts — assets	3,137	95,360	95,360	—	—	—

(d) Exposure to Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group periodically buys and sells financial derivatives, such as forward purchase contracts for hedging purposes, in order to manage market risks.

(i) Currency Risk

The Group is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's subsidiaries.

The Group periodically uses forward exchange contracts to hedge its exposure to currency risk on product purchases denominated in a currency other than the respective functional currency of the Group's subsidiaries. The forward exchange contracts typically have maturities of less than one year.

Interest on borrowings is typically denominated in the local currency of the borrowing. Borrowings are generally denominated in currencies that match the cash flows generated by the underlying operations of the borrowing entity.

The Group's exposure to currency risk arising from the currencies that more significantly affect the Group's financial performance was as follows based on notional amounts of items with largest exposure:

	December 31, 2017				
	Euro	**Renminbi**	**Indian Rupee**	**Won**	**Yen**
	(Euro '000)	**(RMB '000)**	**(INR '000)**	**(KRW '000)**	**(JPY '000)**
Cash	**35,802**	**153,218**	**420,140**	**13,901,895**	**672,288**
Trade and other receivables, net	**44,679**	**194,920**	**1,791,392**	**27,163,424**	**2,213,985**
Intercompany receivables (payables)	**(16,257)**	**(27,269)**	**73,087**	**(7,933,835)**	**(560,919)**
Trade and other payables	**(90,049)**	**(199,567)**	**(1,362,797)**	**(6,792,485)**	**(410,669)**
Statement of financial position exposure	**(25,825)**	**121,302**	**921,822**	**26,338,999**	**1,914,685**

21. Financial Risk Management and Financial Instruments *(continued)*

(d) Exposure to Market Risk *(continued)*

(i) Currency Risk *(continued)*

	December 31, 2016				
	Euro	Renminbi	Indian Rupee	Won	Yen
	(Euro '000)	(RMB '000)	(INR '000)	(KRW '000)	(JPY '000)
Cash	21,891	231,186	859,427	49,578,129	490,936
Trade and other receivables, net	42,593	206,736	1,241,422	21,262,385	1,403,643
Intercompany receivables (payables)	(8,666)	(10,034)	60,367	(8,331,409)	(214,919)
Trade and other payables	(53,228)	(194,042)	(814,630)	(6,505,661)	(115,561)
Statement of financial position exposure	2,590	233,846	1,346,586	56,003,444	1,564,099

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2017	2016	**2017**	2016
Euro	**1.1325**	1.1023	**1.1998**	1.0516
Renminbi	**0.1481**	0.1506	**0.1537**	0.1440
Indian Rupee	**0.0154**	0.0149	**0.0157**	0.0147
Korean Won	**0.0009**	0.0009	**0.0009**	0.0008
Japanese Yen	**0.0089**	0.0091	**0.0089**	0.0086

Foreign Currency Sensitivity Analysis

If each of the above currencies that more significantly affect the Group's financial performance had strengthened by 10% against the US Dollar, profit for the years ended December 31, 2017 and December 31, 2016 and equity as of December 31, 2017 and December 31, 2016 would have increased by:

	Profit for the year ended December 31,		Equity as of December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016	**2017**	2016
Euro	**4,107**	5,188	**29,032**	26,602
Renminbi	**2,746**	2,459	**5,483**	4,951
Indian Rupee	**1,608**	1,260	**4,570**	4,623
Korean Won	**1,724**	1,133	**4,785**	2,590
Japanese Yen	**434**	422	**4,505**	3,680

The analysis assumes that all other variables, in particular interest rates, remain constant. A 10% weakening in each of the above currencies that more significantly affect the Group's financial performance would have an equal, but opposite impact to profit for the year and equity as of these reporting dates.

21. Financial Risk Management and Financial Instruments *(continued)*

(d) Exposure to Market Risk *(continued)*

(ii) Interest Rate Risk

The Group monitors its exposure to changes in interest rates on borrowings on variable rate debt instruments. From time to time, the Group enters into interest rate swap agreements to manage interest rate risk.

The interest rate profile of the Group's interest bearing financial instruments was:

(Expressed in thousands of US Dollars)	December 31, 2017	2016
Variable rate instruments:		
Financial assets	**3,713**	5,804
Financial liabilities	**(1,953,199)**	(1,939,426)
Total variable rate instruments	**(1,949,486)**	(1,933,622)
Fixed rate instruments:		
Interest rate swap agreements — assets	**24,497**	16,149
Total fixed rate instruments	**24,497**	16,149

Sensitivity Analysis for Variable Rate Instruments

If the benchmark interest rates on each of the Term Loan A Facility, Term Loan B Facility and Revolving Facility increased by 100 basis points, with all other variables held constant, profit for the year would have decreased by US$14.5 million and US$5.9 million for the years ended December 31, 2017 and December 31, 2016, respectively and equity would have decreased by US$14.5 million and US$5.9 million as of December 31, 2017 and December 31, 2016, respectively. A 100 basis point decrease in interest rates under each of the Term Loan A Facility, Term Loan B Facility and Revolving Facility would have an equal, but opposite impact to profit for the year and equity as of these reporting dates.

Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Group does not designate interest rate swap agreements as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the end of the reporting period would not affect profit or loss.

(e) Capital Management

The primary objective of the Group's capital management policies is to safeguard its ability to continue as a going concern, to provide returns for shareholders, to fund capital expenditures, normal operating expenses and working capital needs, and to pay obligations. The primary source of cash is revenue from sales of the Group's products. The Group anticipates generating sufficient cash flow from operations in the majority of countries where it operates and will have sufficient available cash and ability to draw on credit facilities for funding to satisfy the working capital and financing needs.

The Group's capital needs are primarily managed through cash and cash equivalents (note 11), trade and other receivables (note 10), inventories (note 9), property plant and equipment (note 6), trade and other payables (note 17) and loans and borrowings (note 13).

21. Financial Risk Management and Financial Instruments *(continued)*

(f) Fair Value Versus Carrying Amounts

All financial assets and liabilities have fair values that approximate carrying amounts.

(g) Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The carrying amount of cash and cash equivalents, trade receivables, accounts payable, short-term debt, and accrued expenses approximates fair value because of the short maturity or duration of these instruments.

The fair value of foreign currency forward contracts and interest rate swaps are estimated by reference to market quotations received from banks.

Derivatives

The fair value of forward exchange contracts is based on their listed market price. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). Call options are considered derivative financial assets and are recorded at fair value. The fair value of interest rate swap agreements is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair value estimates reflect the credit risk of the Group and counterparty.

Non-derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

21. Financial Risk Management and Financial Instruments *(continued)*

(g) Fair Value of Financial Instruments *(continued)*

Non-derivative Financial Liabilities *(continued)*

Redeemable Non-controlling Interests

The Group has entered into agreements that include put and call option arrangements to sell and to acquire non-controlling interests in certain majority-owned subsidiaries exercisable at fair value at certain predetermined dates. Pursuant to these agreements, the Group has call options to acquire the remaining shares owned by the non-controlling interest holders and these non-controlling interest holders have put options to sell their ownership in these subsidiaries to the Group. In addition, the Group has the right to buy-out these non-controlling interests in the event of termination of the underlying agreements. The table of contractual maturities (note 21(c)) above does not include amounts for the repurchase of non-controlling interests as they do not represent contractual maturities.

The following table presents assets and liabilities that are measured at fair value on a recurring basis (including items that are required to be measured at fair value) as of December 31, 2017 and December 31, 2016:

		Fair value measurements at reporting date using		
(Expressed in thousands of US Dollars)	**December 31, 2017**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets:				
Cash and cash equivalents	**344,452**	**344,452**	**—**	**—**
Interest rate swap agreements	**24,497**	**—**	**24,497**	**—**
Total assets	**368,949**	**344,452**	**24,497**	**—**
Liabilities:				
Non-controlling interest put options	**55,674**	**—**	**—**	**55,674**
Foreign currency forward contracts	**2,120**	**2,120**	**—**	**—**
Total liabilities	**57,794**	**2,120**	**—**	**55,674**

		Fair value measurements at reporting date using		
(Expressed in thousands of US Dollars)	December 31, 2016	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Cash and cash equivalents	368,540	368,540	—	—
Interest rate swap agreements	16,149	—	16,149	—
Foreign currency forward contracts	3,137	3,137	—	—
Total assets	387,826	371,677	16,149	—
Liabilities:				
Non-controlling interest put options	64,746	—	—	64,746
Total liabilities	64,746	—	—	64,746

21. Financial Risk Management and Financial Instruments *(continued)*

(g) Fair Value of Financial Instruments *(continued)*

Non-derivative Financial Liabilities *(continued)*

The Group entered into interest rate swap transactions in conjunction with the Senior Credit Facilities. See note 13(a) for further discussion. Since the interest rate swap fair values are based predominantly on observable inputs, such as the interest yield curve, that are corroborated by market data, they are categorized as Level 2 in the fair value hierarchy.

Certain non-U.S. subsidiaries of the Group periodically enter into forward contracts related to the purchase of inventory denominated primarily in USD which are designated as cash flow hedges. The hedging effectiveness was tested in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*. The fair value of these instruments was a liability of US$2.1 million and an asset of US$3.1 million as of December 31, 2017 and December 31, 2016, respectively.

The following table shows the valuation technique used in measuring the Level 3 fair value, as well as the significant unobservable inputs used.

Type	Valuation Technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Put options	*Income approach* — The valuation model converts future amounts based on an EBITDA multiple to a single current discounted amount reflecting current market expectations about those future amounts.	— EBITDA Multiple — Growth rate (2017: 3.0%)	The estimated value would increase (decrease) if: — The EBITDA multiple was higher (lower); — The growth rate was higher (lower); or — The risk adjusted discount rate was lower (higher).

The following table shows reconciliation from the opening balance to the closing balance for Level 3 fair values:

(Expressed in thousands of US Dollars)	
Balance at January 1, 2016	55,829
Change in fair value included in equity	(202)
Change in fair value included in finance costs	9,119
Balance at December 31, 2016 and January 1, 2017	64,746
Change in fair value included in equity	**3,167**
Change in fair value included in finance costs	**2,966**
Acquisition of non-controlling interest	**(15,205)**
Balance at December 31, 2017	**55,674**

21. Financial Risk Management and Financial Instruments *(continued)*

(g) Fair Value of Financial Instruments *(continued)*

Non-derivative Financial Liabilities *(continued)*

For the fair value of put options, reasonably possible changes to one of the significant unobservable inputs, holding other inputs constant, would have the following effects at December 31, 2017:

	Profit or Loss		Shareholders' Equity	
(Expressed in thousands of US Dollars)	Increase	Decrease	Increase	Decrease
EBITDA multiple (movement of 0.1x)	**1,242**	**(1,242)**	**446**	**(446)**
Growth rate (50 basis points)	**7**	**(7)**	**—**	**—**
Risk adjusted discount rate (100 basis points)	**—**	**—**	**—**	**—**

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

22. Related Party Transactions

(a) Transactions with Key Management Personnel

In addition to their cash compensation, the Group also provides non-cash benefits to certain directors and other key management personnel, and contributes to a post-employment plan on their behalf.

Key management is comprised of the Group's directors and senior management. Compensation paid to key management personnel during the year ended December 31, 2017 and December 31, 2016 comprised:

	Year ended December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Director's fees	**1,430**	1,290
Salaries, allowances and other benefits in kind	**7,945**	6,726
Bonus[1]	**3,853**	4,779
Share-based compensation	**11,129**	9,348
Contributions to post-employment plans	**221**	196
Total compensation	**24,578**	22,339

Note

(1) Bonus is based on the performance of the Group.

22. Related Party Transactions *(continued)*

(b) Directors' Remuneration

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation:

	Year ended December 31, 2017					
(Expressed in thousands of US Dollars)	Directors' fees	Salaries, allowances and other benefits in kind	Bonus[1]	Share-based compensation expense	Contributions to post-employment plans	Total
Executive Directors						
Ramesh Tainwala	—	2,095	1,132	2,469	—	5,696
Kyle Gendreau	—	650	574	1,564	30	2,818
Non-Executive Directors						
Timothy Parker	500	—	—	150	—	650
Tom Korbas	145	—	81	154	20	400
Jerome Griffith	145	—	—	—	—	145
Independent Non-Executive Directors						
Paul Etchells	185	—	—	—	—	185
Keith Hamill	165	—	—	—	—	165
Bruce Hardy McLain	145	—	—	—	—	145
Ying Yeh	145	—	—	—	—	145
Total	1,430	2,745	1,787	4,337	50	10,349

Note

[1] Bonus is based on the performance of the Group.

	Year ended December 31, 2016					
(Expressed in thousands of US Dollars)	Directors' fees	Salaries, allowances and other benefits in kind	Bonus[1]	Share-based compensation expense	Contributions to post-employment plans	Total
Executive Directors						
Ramesh Tainwala	—	1,726	1,000	1,469	—	4,195
Kyle Gendreau	—	624	1,128	1,414	28	3,194
Non-Executive Director						
Timothy Parker	500	—	—	481	—	981
Tom Korbas	125	223	320	345	39	1,052
Jerome Griffith[2]	31	—	—	—	—	31
Independent Non-Executive Directors						
Paul Etchells	165	—	—	—	—	165
Keith Hamill	125	—	—	—	—	125
Miguel Ko[3]	94	—	—	—	—	94
Bruce Hardy McLain	125	—	—	—	—	125
Ying Yeh	125	—	—	—	—	125
Total	1,290	2,573	2,448	3,709	67	10,087

Notes

[1] Bonus is based on the performance of the Group.

[2] Appointed as Non-Executive Director on September 22, 2016.

[3] Resigned as Independent Non-Executive Director on September 22, 2016.

22. Related Party Transactions *(continued)*

(b) Directors' Remuneration *(continued)*

No director received any emoluments from the Group as an inducement to join or upon joining the Group during the years ended December 31, 2017 and December 31, 2016. No director waived or agreed to waive any emoluments during the periods presented. No director received any compensation during the years ended December 31, 2017 or December 31, 2016 for the loss of office as a director of the Company or of any other office in connection with the management of the affairs of the Group. No director received any loans from the Group during the years ended December 31, 2017 or December 31, 2016.

(c) Individuals with the Highest Emoluments

The five highest paid individuals of the Group include two directors during the year ended December 31, 2017 and two directors during the year ended December 31, 2016, whose emoluments are disclosed above. Details of remuneration paid to the remaining highest paid individuals of the Group are as follows:

	Year ended December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Salaries, allowances and other benefits in kind	**1,576**	1,500
Bonus[1]	**3,720**	1,184
Share-based compensation expense	**2,285**	2,729
Contributions to post-employment plans	**16**	53
Total	**7,597**	5,466

Note

(1) Bonus is based on the performance of the Group.

The emoluments of each individual for 2017 and 2016 fall within these ranges:

	Year ended December 31,	
	2017	2016
HK$11,500,000–HK$12,000,000 (US$1,481,801–US$1,546,228):	**—**	1
HK$14,500,000–HK$15,000,000 (US$1,860,908–US$1,925,077):	**1**	1
HK$15,500,000–HK$16,000,000 (US$1,997,211–US$2,053,416):	**—**	1
HK$16,000,000–HK$16,500,000 (US$2,053,416–US$2,117,585):	**1**	—
HK$28,000,000–HK$28,500,000 (US$3,593,478–US$3,657,647):	**1**	—

No amounts have been paid to these individuals as compensation for loss of office or as an inducement to join or upon joining the Group during the years ended December 31, 2017 and December 31, 2016.

22. Related Party Transactions *(continued)*

(d) Other Related Party Transactions

I. Certain subsidiaries of the Group purchase raw materials and finished goods from, and Samsonite South Asia Private Limited sells certain raw materials and components to, Abhishri Packaging Pvt. Ltd, which is managed and controlled by the family of Mr. Ramesh Tainwala, Executive Director and Chief Executive Officer of the Group ("Mr. Tainwala"). Abhishri Packaging Pvt. Ltd also manufactures hard-side luggage products on behalf of Samsonite South Asia Private Limited.

Related amounts of purchases, sales, payables and receivables were the following:

	Year ended December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Purchases	**10,475**	6,944
Sales	**62**	165

	Year ended December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Payables	**2,835**	1,634
Receivables	**3**	6

II. The Group's Indian subsidiary, Samsonite South Asia Private Limited, sells finished goods to Bagzone Lifestyle Private Limited. The Group's Chinese subsidiary, Samsonite China, provides sourcing support and quality inspection services in respect of products under certain other brands sold by Bagzone Lifestyle Private Limited. Bagzone Lifestyle Private Limited is managed and controlled by the family of Mr. Tainwala. Mr. Tainwala and his family also own non-controlling interests in Samsonite South Asia Private Limited and in the Group's United Arab Emirates subsidiary, Samsonite Middle East FZCO.

	Year ended December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Sales	**11,211**	10,337
Support and Services	**110**	143
Rent	**57**	59

	Year ended December 31,	
(Expressed in thousands of US Dollars)	**2017**	2016
Receivables	**13,429**	11,741

Approximately US$0.8 million and US$0.7 million was paid to entities owned by Mr. Tainwala and his family, for office space rent for the years ended December 31, 2017 and December 31, 2016, respectively. As of December 31, 2017, US$0.02 million was payable to Mr. Tainwala and his family. As of December 31, 2016, no amounts were payable to or receivable from Mr. Tainwala and his family.

All outstanding balances with these related parties are priced at an arm's length basis and are to be settled in cash. None of the balances are secured.

23. Share Capital and Reserves and Particulars of Group Entities

(a) Share Capital and Reserves

(i) Ordinary Shares

During 2017, there were no changes to the authorized share capital of the Company. On March 3, 2016, the Company's shareholders approved an amendment to the Company's Articles of Incorporation in order to (i) reduce the Company's authorized share capital from US$1,012,800,369.99, representing 101,280,036,999 shares (including the subscribed share capital) to US$35,000,000, representing 3,500,000,000 shares (including the subscribed share capital) with a par value of US$0.01 each and (ii) renew, for a period of five years from the date of the publication of the amendment of the authorized share capital in Luxembourg, the authorization of the Board to issue shares, to grant options to subscribe for shares and to issue any other securities or instruments convertible into shares, subject to the restrictions set out in the Company's Articles of Incorporation, the Luxembourg companies law and the Listing Rules.

As of December 31, 2017 and December 31, 2016, the Company had 2,078,188,898 and 2,088,711,099, respectively, shares authorized but unissued and 1,421,811,102 and 1,411,288,901, respectively, ordinary shares with par value of US$0.01 per share issued and outstanding.

The holders of ordinary shares are entitled to one vote per share at shareholder meetings of the Company. All ordinary shares in issue rank equally and in full for all dividends or other distributions declared, made or paid on the shares in respect of a record date.

During the years ended December 31, 2017 and December 31, 2016, the Company issued 10,522,201 and 1,455,376 ordinary shares, respectively, in connection with the exercise of share options that were granted under the Company's Share Award Scheme.

(ii) Treasury Shares

There are no treasury shares held by the Group.

(iii) Distributable Reserves

As of December 31, 2017, reserves available for distribution to shareholders amounted to approximately US$1.9 billion as shown in the statutory financial statements of Samsonite International S.A. and calculated in accordance with the Company's Articles of Incorporation.

(iv) Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

(v) Other Reserves

Other reserves comprise amounts related to defined benefit pension plans, the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions pending subsequent recognition of the hedged cash flows and the share option reserve for share-based payments made by the Company.

23. Share Capital and Reserves and Particulars of Group Entities *(continued)*

(b) Non-controlling Interests and Acquisition of Non-controlling Interests

The Group currently operates in certain markets by means of majority-owned subsidiaries that are operated in conjunction with a non-controlling partner in each country. Under these arrangements, the Group contributes brands through trademark licensing agreements and international marketing expertise and the partner contributes local market expertise. All interests acquired were paid in full at the time of the acquisition and each of these subsidiaries is operated on a self-financing basis. There are no current or future requirements for the Group to contribute any further investment amount to any of these entities.

The agreements governing certain majority-owned subsidiaries include put and call options whereby the Group may be required to acquire the respective non-controlling interest at amounts intended to represent current fair value. As of December 31, 2017 and December 31, 2016, the financial liabilities recognized related to these put options were US$55.7 million and US$64.7 million, respectively.

The call options were deemed to have a fair value of nil as of each reporting date as the agreements call for redemption at fair value upon the option being exercised.

On August 18, 2017, a wholly-owned subsidiary of the Company acquired the 30% non-controlling interest in its Australian subsidiary for US$31.9 million in cash, increasing its ownership from 70% to 100%. The carrying amount of the Australian subsidiary's net assets in the consolidated financial statements on the date of acquisition was US$17.1 million. The Group recognized a decrease in the non-controlling interest of US$4.9 million and a decrease in retained earnings of US$11.2 million.

The following tables summarize the information relating to the Group's significant subsidiaries that have material non-controlling interests ("NCI"), before any intra-group eliminations.

For the year ended December 31, 2017:

(Expressed in thousands of US Dollars)	**Samsonite Chile S.A.**	**Samsonite South Asia Private Limited**
NCI percentage	**15%**	**40%**
Non-current assets	**50,223**	**11,336**
Current assets	**32,966**	**130,116**
Non-current liabilities	**—**	**3,131**
Current liabilities	**21,643**	**92,625**
Net assets	**61,546**	**45,696**
Carrying amount of NCI	**9,232**	**18,278**
Net outside revenue	**68,402**	**138,223**
Profit	**5,316**	**16,077**
Other comprehensive income ("OCI")	**4,177**	**2,811**
Total comprehensive income	**9,493**	**18,888**
Profit allocated to NCI	**797**	**6,431**
OCI allocated to NCI	**627**	**1,124**
Dividends paid to NCI	**601**	**7,768**
Net increase (decrease) in cash and cash equivalents	**1,374**	**(6,071)**

23. Share Capital and Reserves and Particulars of Group Entities *(continued)*

(b) Non-controlling Interests and Acquisition of Non-controlling Interests *(continued)*

For the year ended December 31, 2016:

(Expressed in thousands of US Dollars)	Samsonite Australia Pty Limited[1]	Samsonite Chile S.A.	Samsonite South Asia Private Limited
NCI percentage	30%	15%	40%
Non-current assets	3,328	32,881	10,741
Current assets	27,166	34,208	99,838
Non-current liabilities	169	(11,796)	2,729
Current liabilities	14,664	22,828	61,623
Net assets	15,661	56,057	46,227
Carrying amount of NCI	4,698	8,409	18,491
Net outside revenue	67,959	59,518	128,056
Profit	9,044	1,964	12,597
OCI	(146)	3,539	(1,005)
Total comprehensive income	8,898	5,503	11,592
Profit allocated to NCI	2,713	295	5,039
OCI allocated to NCI	(44)	531	(402)
Dividends paid to NCI	2,677	1,339	2,559
Net increase (decrease) in cash and cash equivalents	(471)	2,324	4,020

Note

(1) Australia became a wholly-owned subsidiary on August 18, 2017.

(c) Particulars of Group Entities

Entity name	Country/Territory	Ownership % **2017**	Ownership % 2016
Samsonite International S.A.	Luxembourg	**Parent**	Parent
AboutBags NV	Belgium	**100**	—
Astrum R.E. LLC	United States	**100**	100
Bypersonal S.A. de C.V.	Mexico	**100**	100
Delilah Europe Investments S.àr.l.	Luxembourg	**100**	100
Delilah US Investments S.àr.l.	Luxembourg	**100**	100
Direct Marketing Ventures, LLC	United States	**100**	100
eBags, Inc.	United States	**100**	—
eBags International, Inc.	United States	**100**	—
Equipaje en Movimiento, S.A. de C.V.	Mexico	**100**	100
Galaxy Media, Inc.	United States	**100**	—
Global Licensing Company, LLC	United States	**100**	100
HL Operating, LLC	United States	**100**	100
Jody Apparel II, LLC	United States	**100**	100
Lonberg Express S.A.	Uruguay	**100**	100
Limited Liability Company "Samsonite"	Russia	**100**	100
Lipault UK Limited	United Kingdom	**100**	100
McGregor II, LLC	United States	**100**	100
PT Samsonite Indonesia	Indonesia	**60**	60

23. Share Capital and Reserves and Particulars of Group Entities *(continued)*

(c) Particulars of Group Entities (continued)

Entity name	Country/Territory	Ownership % 2017	Ownership % 2016
PTL Holdings, Inc.	United States	**100**	100
Samsonite (Malaysia) Sdn Bhd	Malaysia	**100**	100
Samsonite (Thailand) Co., Ltd.	Thailand	**60**	60
Samsonite A/S	Denmark	**100**	100
Samsonite AB (Aktiebolag)	Sweden	**100**	100
Samsonite AG	Switzerland	**100**	100
Samsonite Argentina S.A.	Argentina	**95**	95
Samsonite Asia Limited	Hong Kong	**100**	100
Samsonite Australia Pty Limited	Australia	**100**	70
Samsonite Belgium Holdings BVBA	Belgium	**100**	100
Samsonite Brasil Ltda.	Brazil	**100**	100
Samsonite B.V.	Netherlands	**100**	100
Samsonite Canada Inc.	Canada	**100**	100
Samsonite CES Holding B.V.	Netherlands	**100**	100
Samsonite Chile S.A.	Chile	**85**	85
Samsonite China Holdings Limited	Hong Kong	**100**	100
Samsonite (China) Co., Ltd.	China	**100**	100
Samsonite Colombia S.A.S.	Colombia	**100**	100
Samsonite Company Stores, LLC	United States	**100**	100
Samsonite Espana S.A.	Spain	**100**	100
Samsonite Europe NV	Belgium	**100**	100
Samsonite Finanziaria S.r.l.	Italy	**100**	100
Samsonite Finland Oy	Finland	**100**	100
Samsonite Gesm.b.H.	Austria	**100**	100
Samsonite GmbH	Germany	**100**	100
Samsonite Hungaria Borond KFT	Hungary	**100**	100
Samsonite Importaciones, S.A. de C.V.	Mexico	**100**	—
Samsonite IP Holdings S.àr.l.	Luxembourg	**100**	100
Samsonite Japan Co. Ltd.	Japan	**100**	100
Samsonite Korea Limited	South Korea	**100**	100
Samsonite Latinoamerica S.A. de C.V.	Mexico	**100**	100
Samsonite Limited	United Kingdom	**100**	100
Samsonite LLC	United States	**100**	100
Samsonite Macau Limitada	Macau	**100**	100
Samsonite Mauritius Limited	Mauritius	**100**	100
Samsonite Mercosur Limited	Bahamas	**100**	100
Samsonite Mexico, S.A. de C.V.	Mexico	**100**	100
Samsonite Middle East FZCO	United Arab Emirates	**60**	60
Samsonite Norway AS	Norway	**100**	100
Samsonite Pacific LLC	United States	**100**	100
Samsonite Panama S.A.	Panama	**100**	100
Samsonite Peru S.A.C.	Peru	**100**	100
Samsonite Philippines Inc.	Philippines	**60**	60
Samsonite S.A.S.	France	**100**	100
Samsonite S.p.A.	Italy	**100**	100
Samsonite Seyahat Ürünleri Sanayi ve Ticaret Anonim Sirketi	Turkey	**60**	60

23. Share Capital and Reserves and Particulars of Group Entities *(continued)*

(c) *Particulars of Group Entities* (continued)

Entity name	Country/Territory	Ownership % 2017	Ownership % 2016
Samsonite Singapore Pte Ltd	Singapore	**100**	100
Samsonite South Asia Private Limited	India	**60**	60
Samsonite Southern Africa Ltd.	South Africa	**60**	60
Samsonite Sp.zo.o	Poland	**100**	100
Samsonite Sub Holdings S.àr.l.	Luxembourg	**100**	100
SC Chile Uno S.A.	Chile	**100**	100
SC Inversiones Chile Ltda	Chile	**100**	100
Speck Trading (Shanghai) Co., Ltd.	China	**100**	100
Speculative Product Design, LLC	United States	**100**	100
The Tumi Haft Company, LLC	United States	**100**	100
Tumi Asia, Limited	Hong Kong	**100**	100
Tumi Asia, Limited (Shenzhen Subsidiary)	China	**100**	100
Tumi Asia (Macau) Co., Ltd.	Macau	**100**	100
Tumi Asia Sourcing(2)	China	**—**	100
Tumi Austria GmbH	Austria	**100**	100
Tumi Canada Holdings, LLC	United States	**100**	100
Tumi Canada ULC	Canada	**100**	100
Tumi Charlotte Airport LLC	United States	**100**	—
Tumi D2C GmbH	Germany	**100**	—
Tumi Europe Ecommerce GmbH(1)	Germany	**—**	100
Tumi France SARL	France	**100**	100
Tumi Hong Kong I B.V.(2)	Netherlands	**—**	100
Tumi Hong Kong II B.V.(2)	Netherlands	**—**	100
Tumi Hong Kong Holding Company B.V.(2)	Netherlands	**—**	100
Tumi Houston Airport LLC	United States	**70**	70
Tumi Inc.	United States	**100**	100
Tumi International LLC	United States	**100**	100
Tumi Ireland Limited	Ireland	**100**	100
Tumi Japan(1)	Japan	**—**	100
Tumi Japan Kabushiki Kaisha	Japan	**100**	—
Tumi Luggage S.L.	Spain	**100**	100
Tumi Netherlands B.V.	Netherlands	**100**	100
Tumi S.R.L.	Italy	**100**	—
Tumi Services GmbH	Germany	**100**	—
Tumi Stores, Inc.	United States	**100**	100
Tumi (UK) Limited	United Kingdom	**100**	100

Notes

(1) This entity was dissolved during 2017.

(2) This entity was collapsed into Tumi Inc. during 2017.

24. Subsequent Events

The Group has evaluated events occurring subsequent to December 31, 2017, the reporting date, through March 14, 2018, the date this financial information was authorized for issue by the Board.

On March 14, 2018, the Company's Board of Directors recommended that a cash distribution in the amount of US$110.0 million, or approximately US$0.0772 per share, be made to the Company's shareholders. The distribution will be subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company.