



2015 Interim Results

Investor Presentation



ANYTHING IS POSSIBLE

Disclaimer

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Agenda

- ▶ Results Highlights
- ▶ Financial Review
- ▶ Operational Review
- ▶ Outlook
- ▶ Appendix



Results Highlights

2015H1 Results Highlights

Financial Highlights :

- Revenue grew 16% to RMB 3,641 million
- EBITDA and Operating Cash Flow turned positive
 - EBITDA RMB 260 million
 - Operating cash flow RMB 165 million
- SSSG accelerated in both retail and wholesale
- Improved working capital

Operational Highlights:

- Store expansion prudently resumed with focus on under-penetrated southern region
- Double digit retail sell-through growth for core product categories in aggregate
- Inventory improved significantly
- Positive response from the market regarding our first Smart Shoes launch using O2O sales and marketing strategy

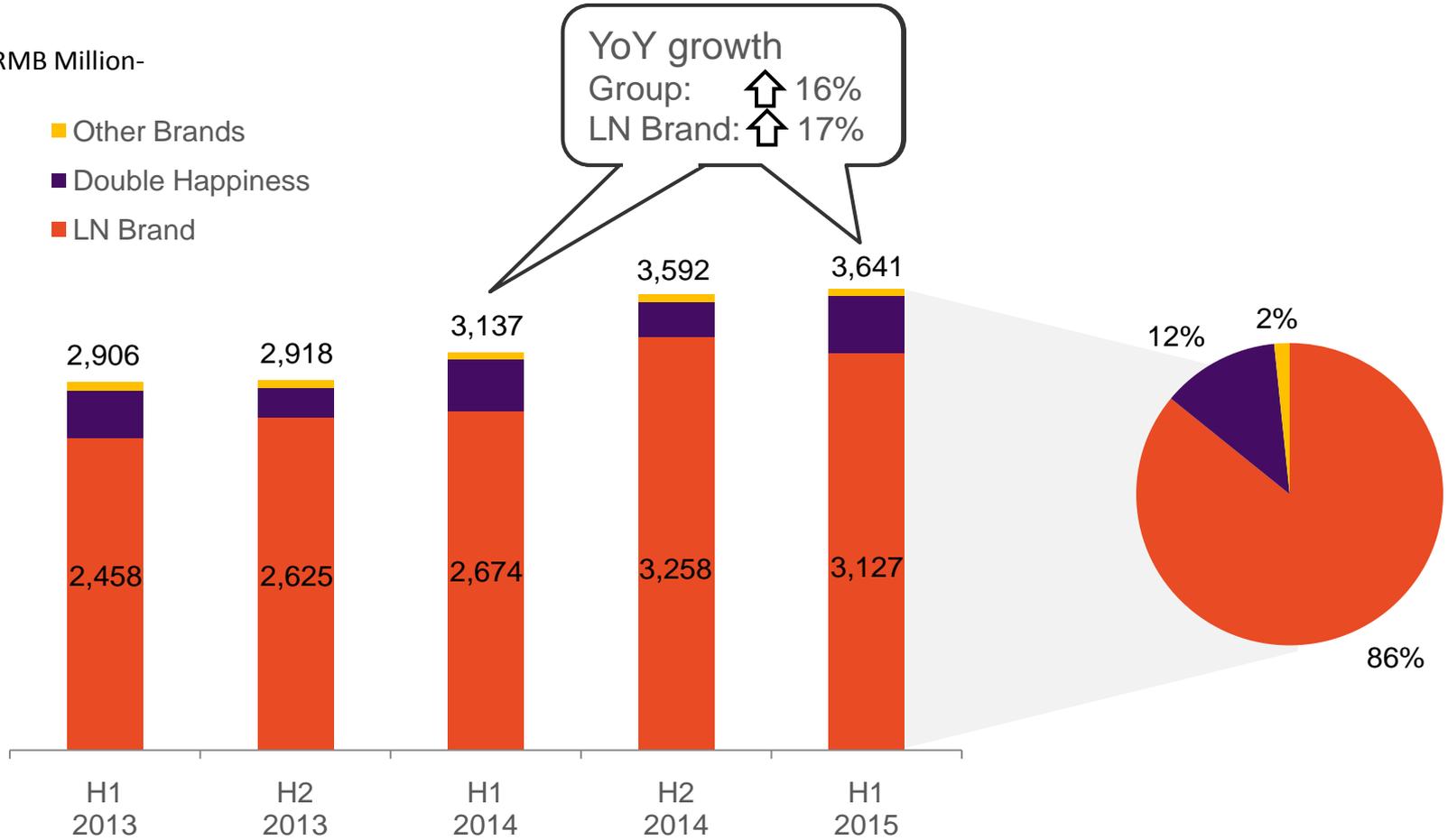
A man and a woman are running on a track at night. The woman is wearing a bright orange jacket and colorful patterned shorts. The man is wearing a bright yellow-green jacket and dark pants. A white square frame is overlaid on the image, centered on the text. The background is dark with some blurred lights.

Financial Review

Revenue

Group Total

-RMB Million-



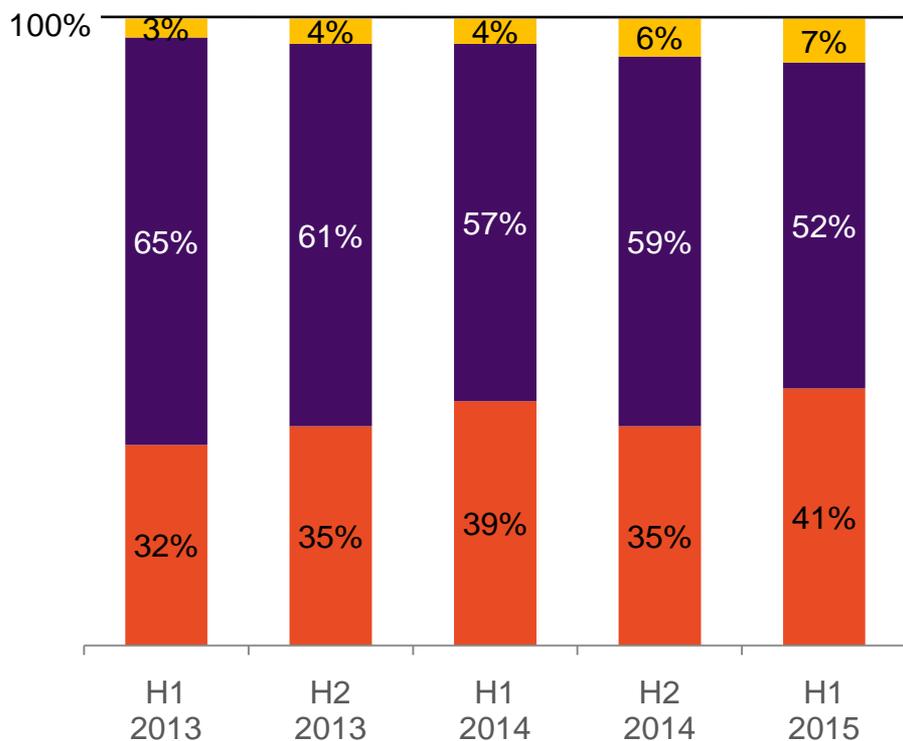
Revenue growth led by continuing momentum of Li Ning brand

Revenue and Sell-Through Mix

LN Brand, excl. international market sales

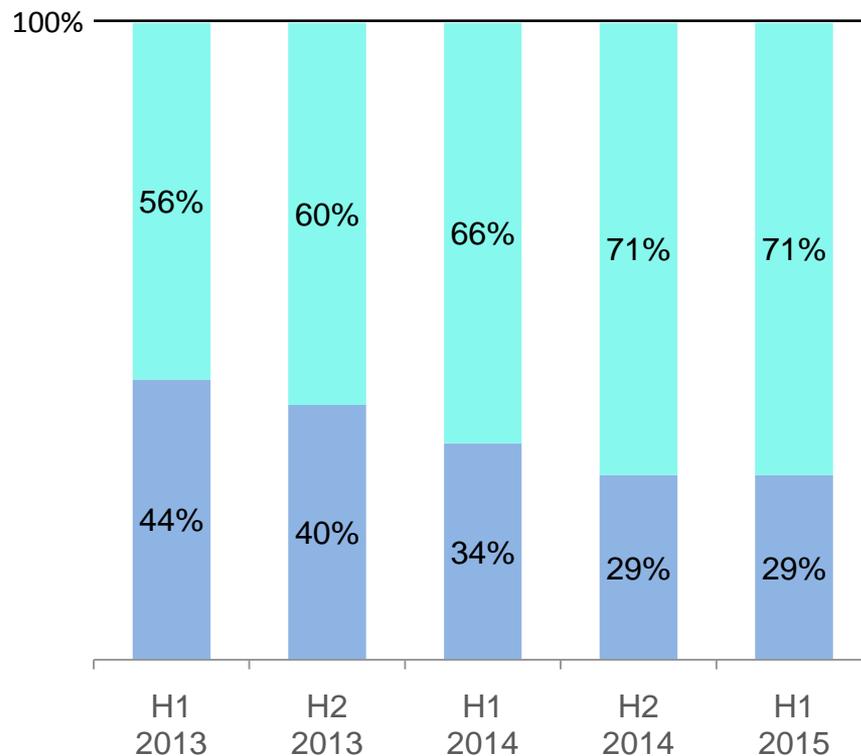
Company Revenue Mix

■ Retail ■ Wholesale ■ E-commerce



Product Retail Sell-Through Mix

■ Old Product ■ New Product (Current and Last Season)

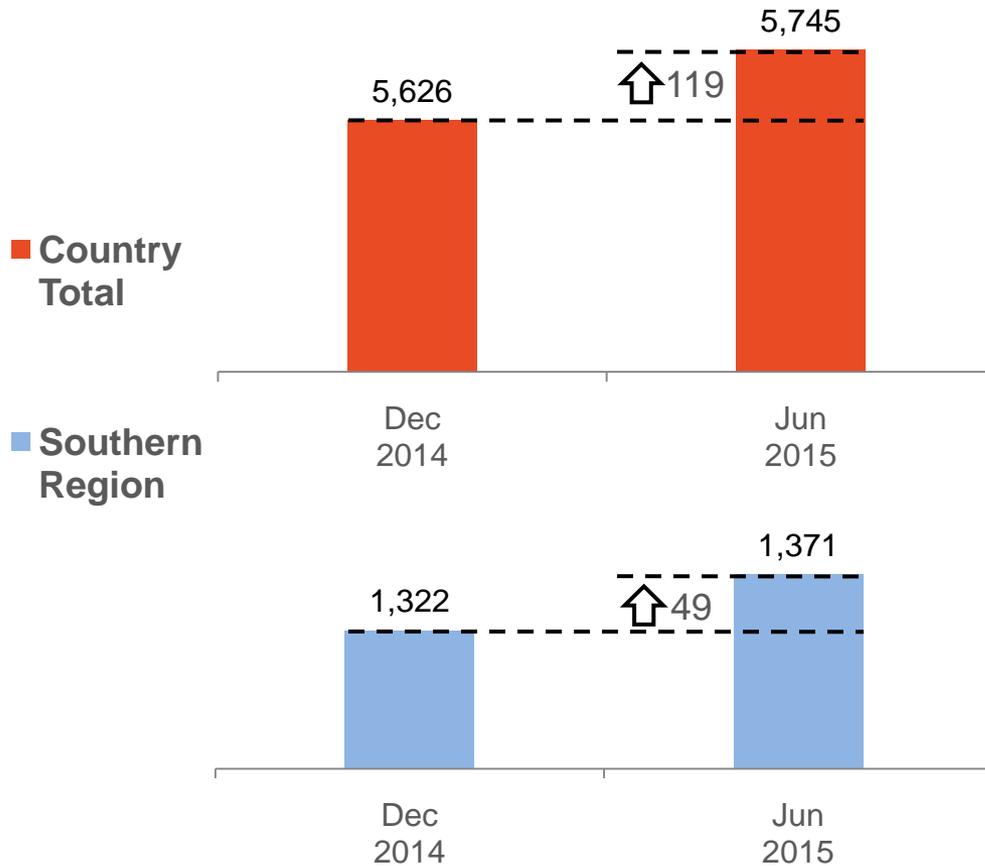


Growth driven by balanced business expansion and new products

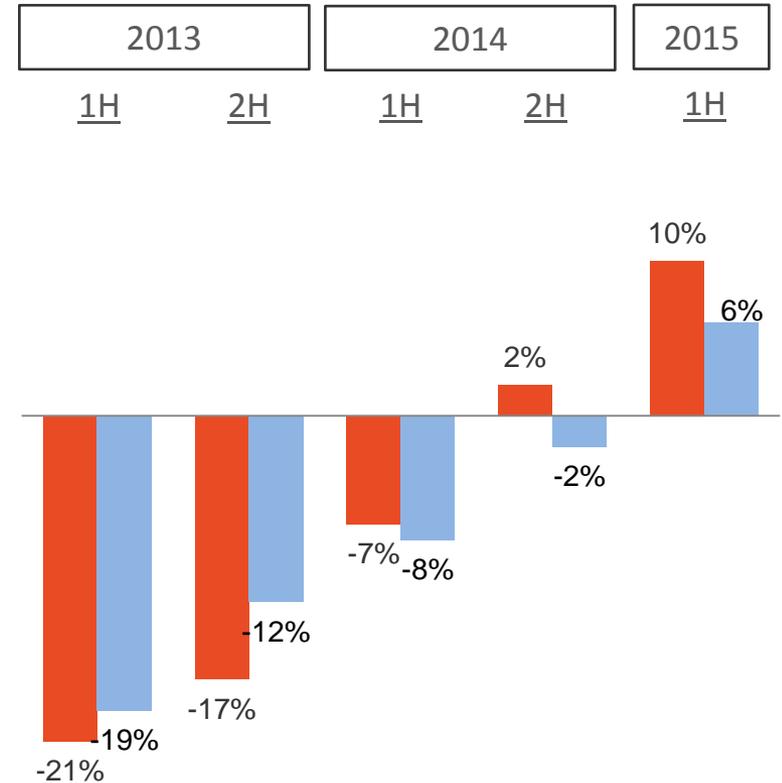
Performance by Geographical Location

LN Brand , excl. international market sales

Number of POS* at Period End



Sell-through growth, YoY %



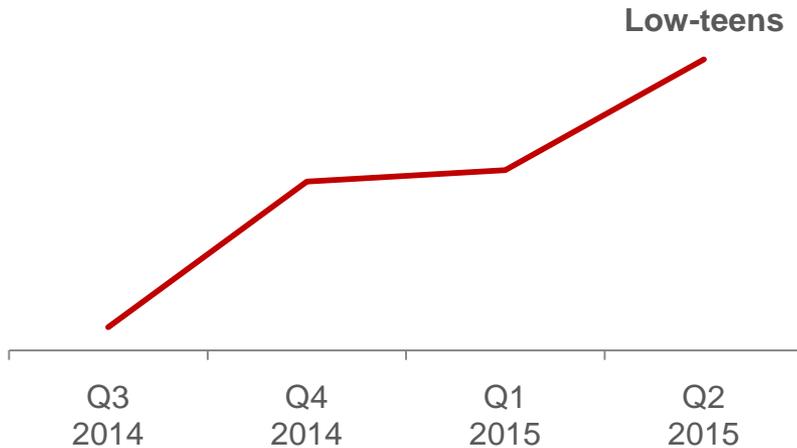
Expansion resumed, with strategic focus on low-penetrated southern region

*POS: Point of sales

Same Store Sales Growth (SSSG) Rate

LN Brand

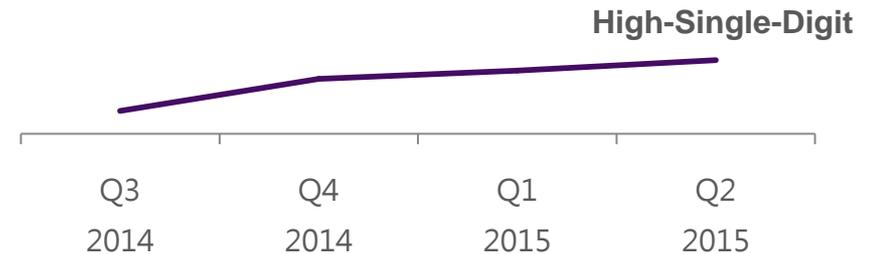
Overall Platform



Retail (Direct Operation)



Wholesale (Franchised Distributors)

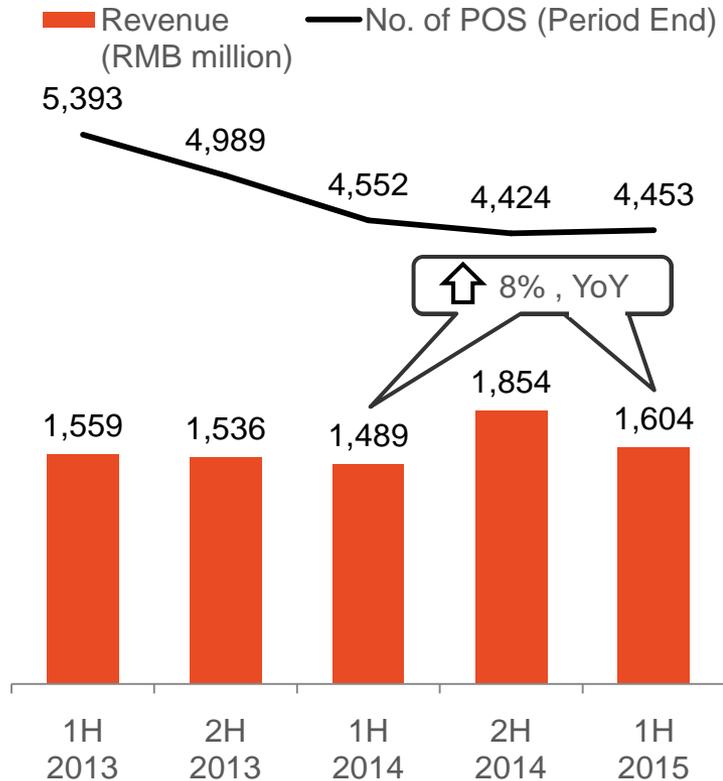


SSSG accelerated in both retail and wholesale

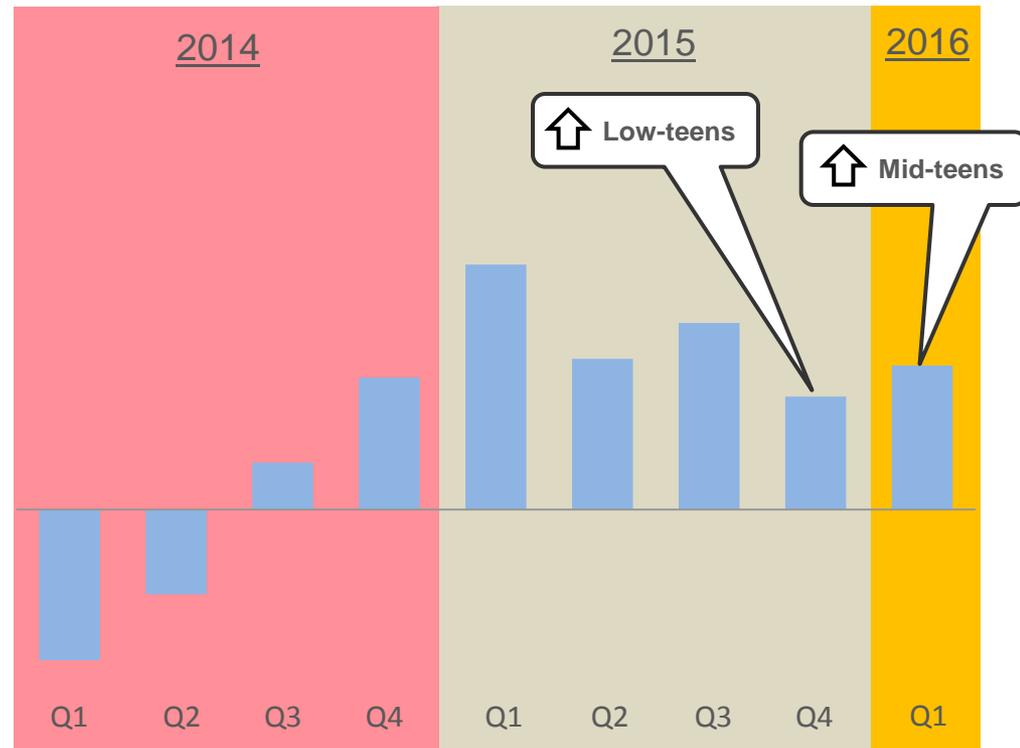
Wholesale Business[^]

LN Brand , excl. international market sales

Business Performance



Trade Fair Order* (Tag Price) Growth, % YoY



Wholesale business growth driven by trade fair orders

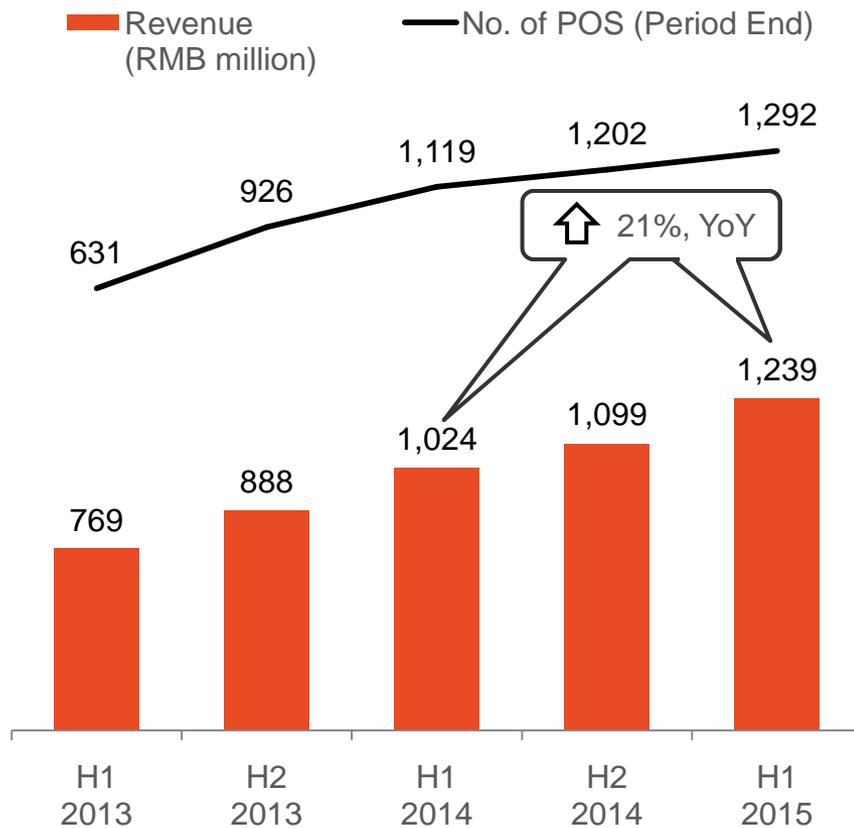
[^] Wholesale business: Sales to franchised distributors

*Order placed during trade fair (excl. orders from subsidiaries), e.g. 2016Q1 orders were placed almost one year ago

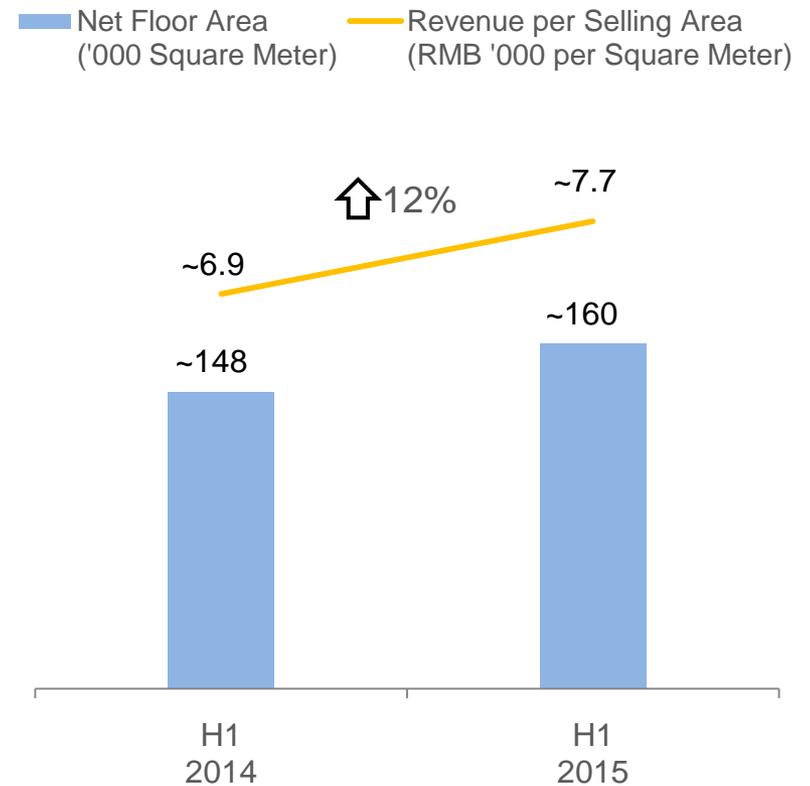
Retail Business[^]

LN Brand

Business Performance



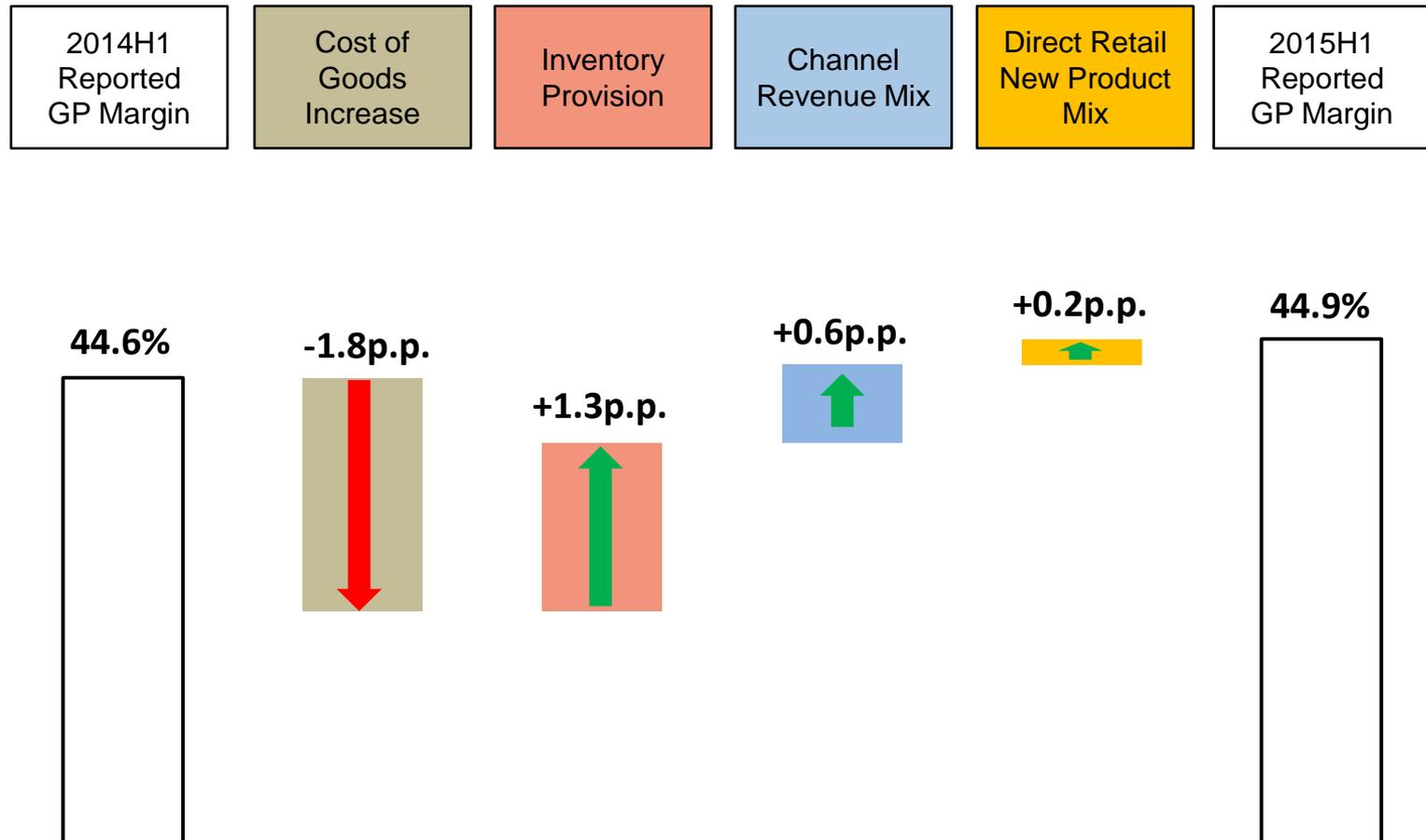
Revenue per Selling Area



Retail business continued to improved, in terms of both scale and efficiency

Gross Profit Margin Analysis – 2015H1 vs 2014H1

Net Change in Major Items

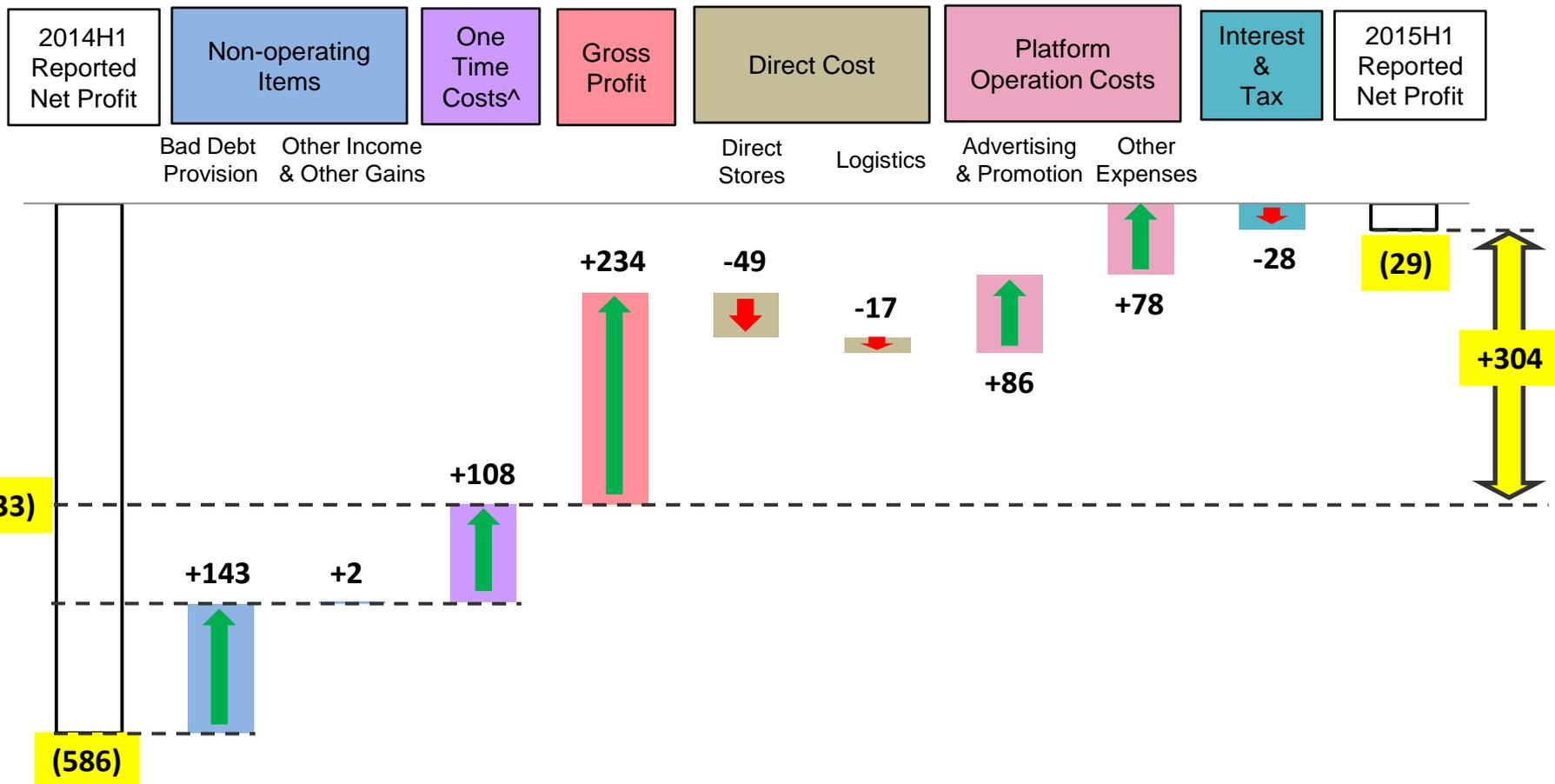


Better inventory management offset production cost impact

Profitability Analysis – 2015H1 vs 2014H1

Net Change of Major P&L Items

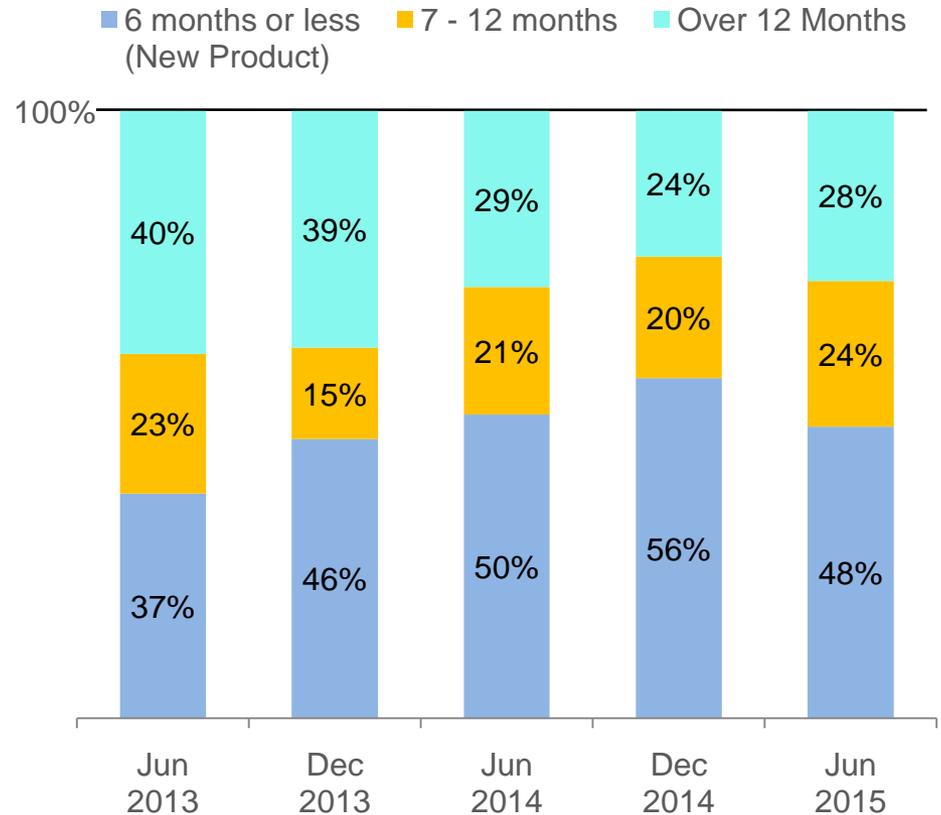
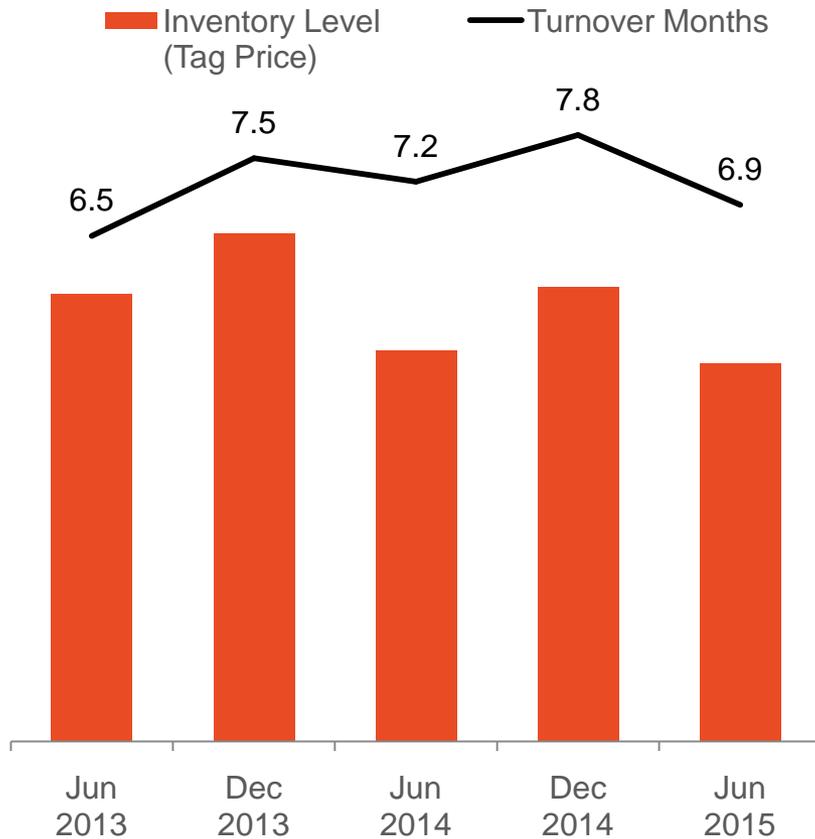
-RMB Million-



Cost structure healthy and ready for profitability

[^] One time cost include impairment of available-for-sale financial assets, closure of Flagship stores etc

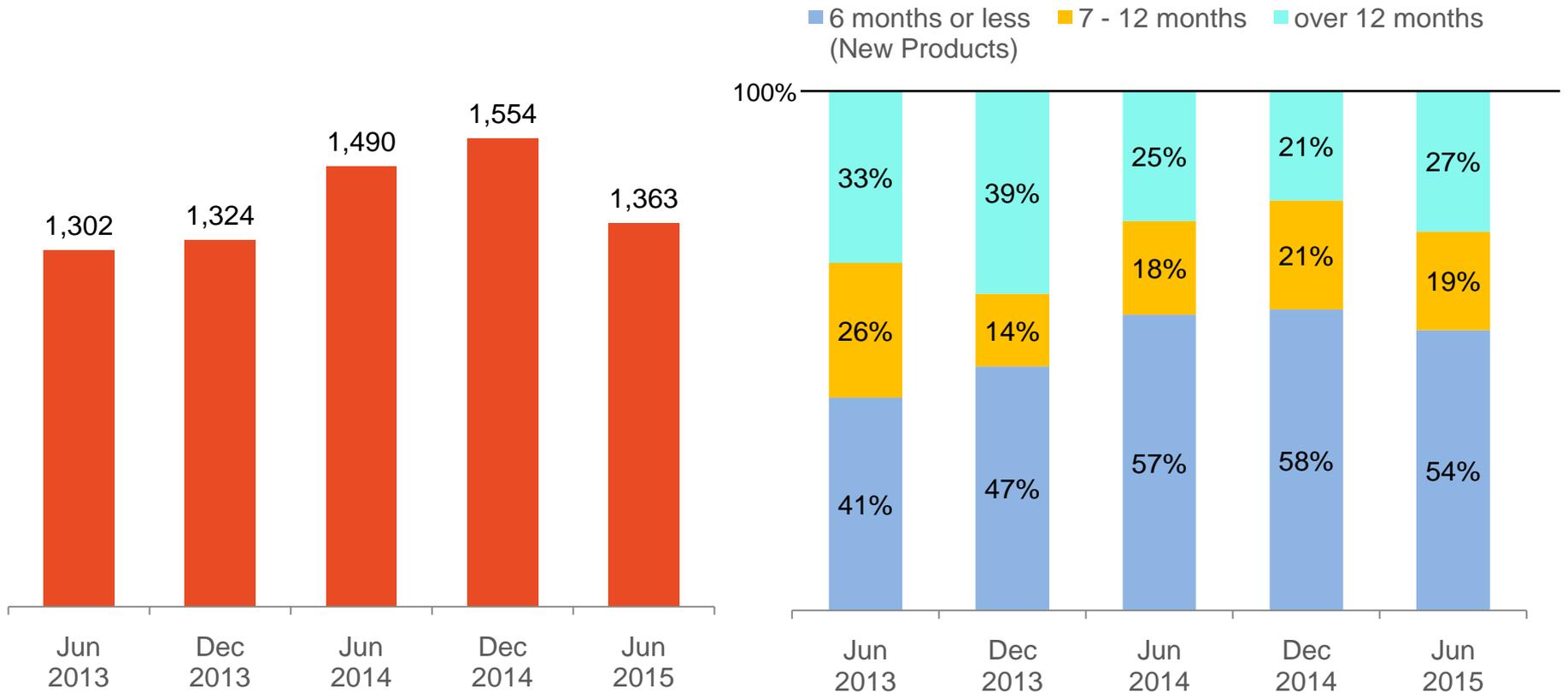
Channel Inventory



Improvement driven by strong retail sell-through and better inventory control

Company Inventory

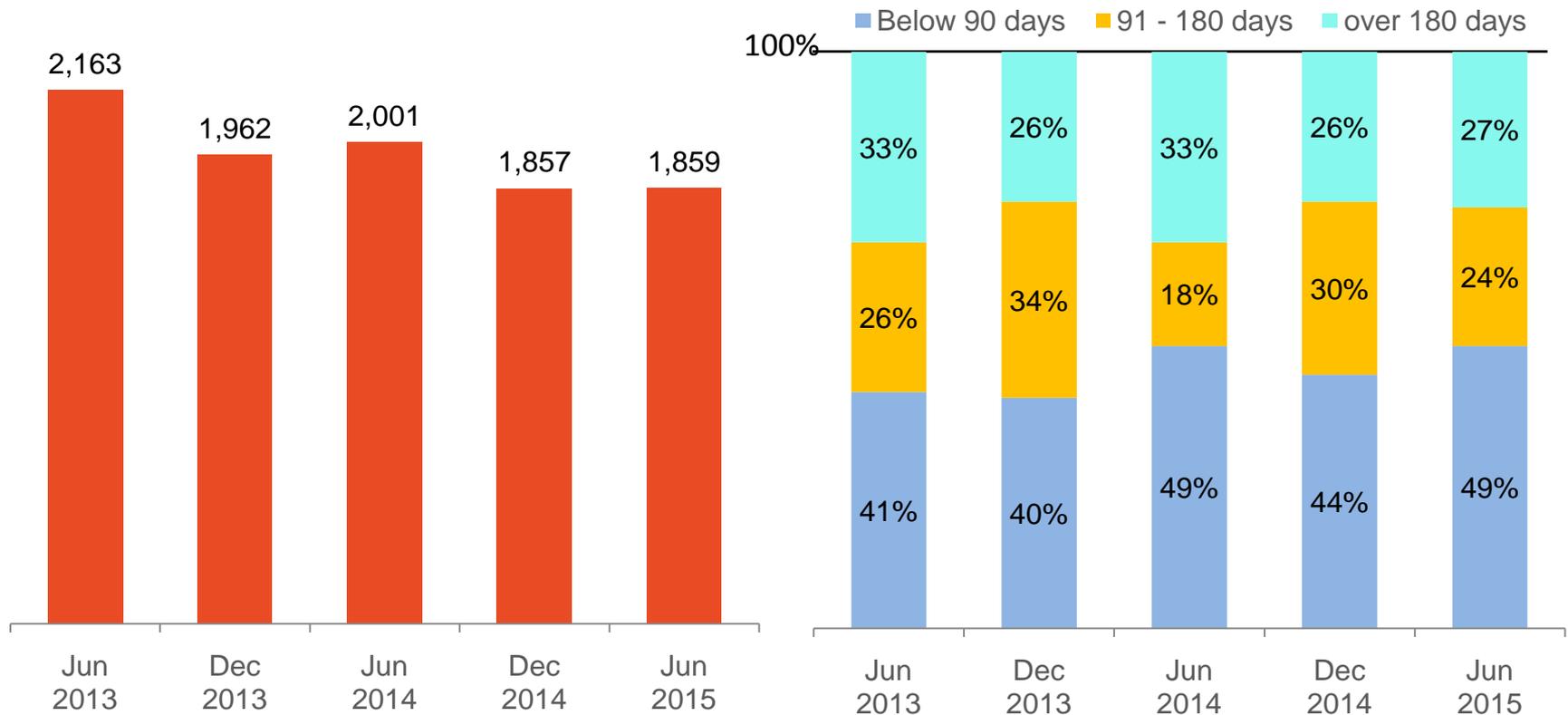
-RMB Million-



Inventory optimization initiative showing results

Trade Receivables

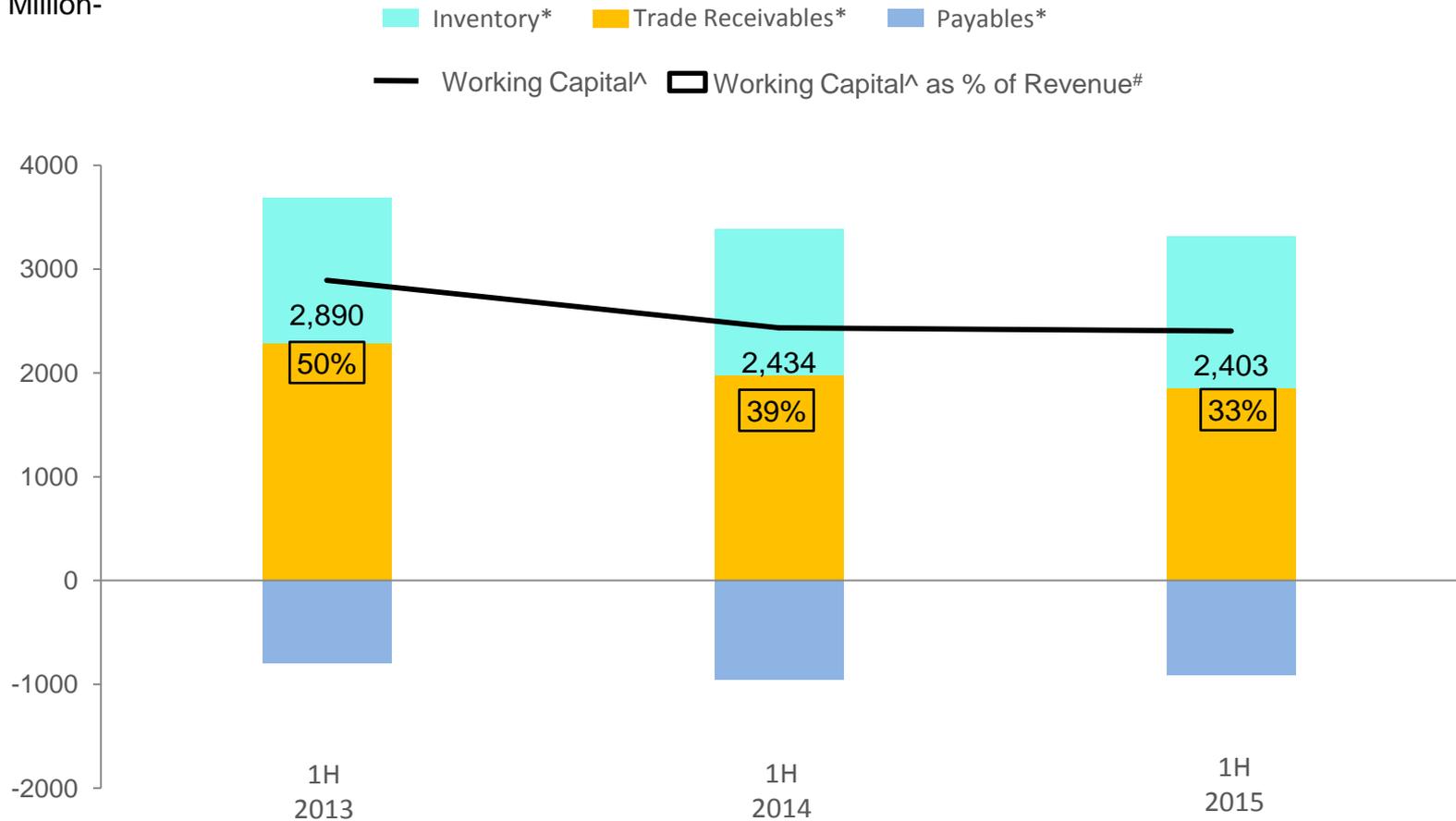
-RMB Million-



Lower receivables and healthier mix despite revenue growth

Working Capital Efficiency

-RMB Million-



Better control on receivables, inventories and payables

* Period average, simple average between period opening and ending

^ Gross Amount

Annualized revenue

Balance sheet summary and cash position

-RMB Million-	2014 1H	2014 2H (Pre Equity Financing)	2015 1H (Post Equity Financing)
Cash and Cash Equivalents	909	1,031	1,757
Borrowings*	491	997	548
Net Cash / (Debt)^	418	34	1,209
Interest-bearing debt-to-equity ratio	55.0%	86.4%	40.0%
Current Period Operating Cash Flow	(319)	(75)	165

Operating cash flow turned positive

*Borrowings included Bank Borrowings and Related Parties Loan

^Net Cash / (Debt) = Cash and Cash Equivalents – Borrowings



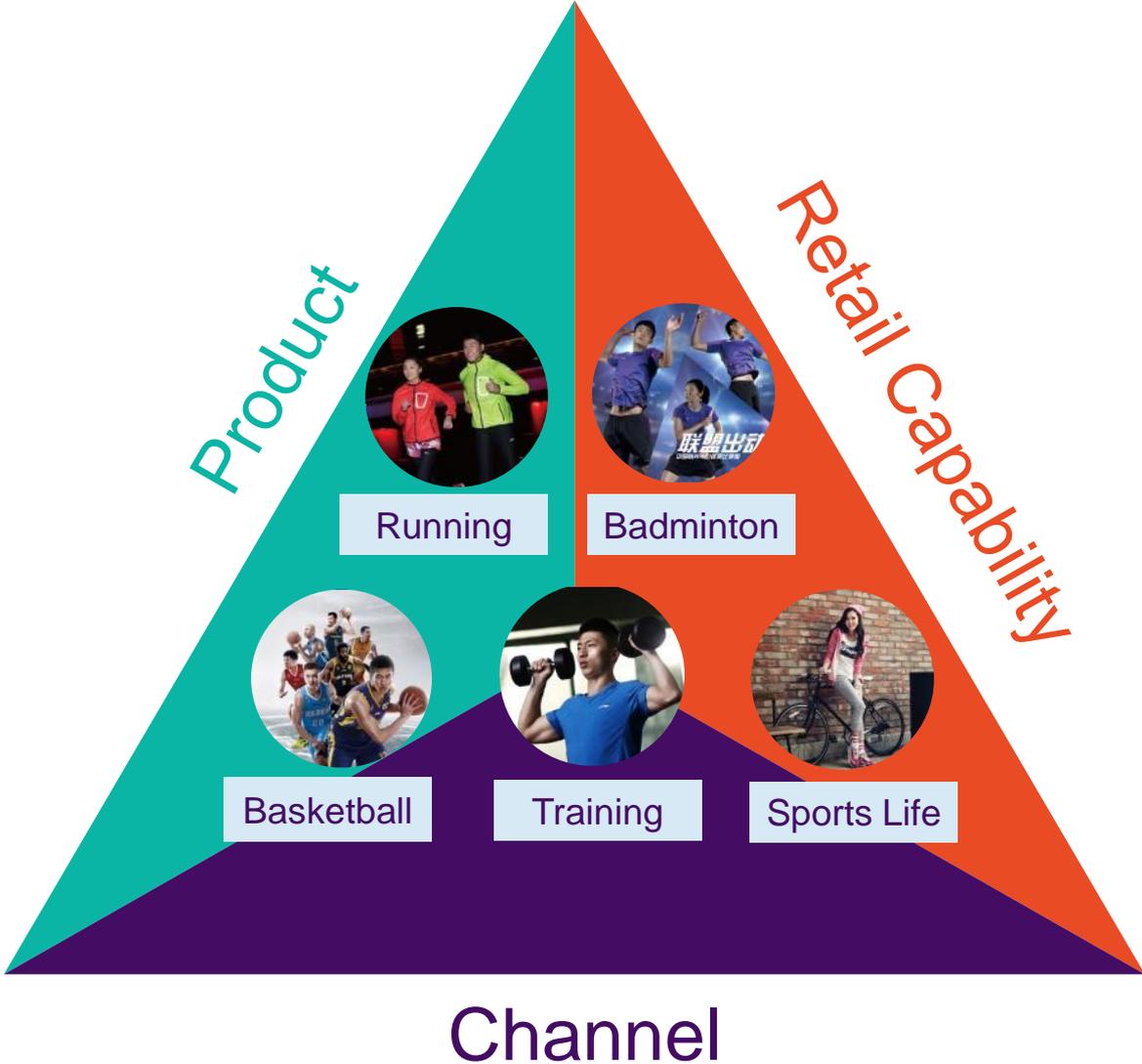
Business Review

国家羽毛球队
谌龙

国家羽毛球队
张楠

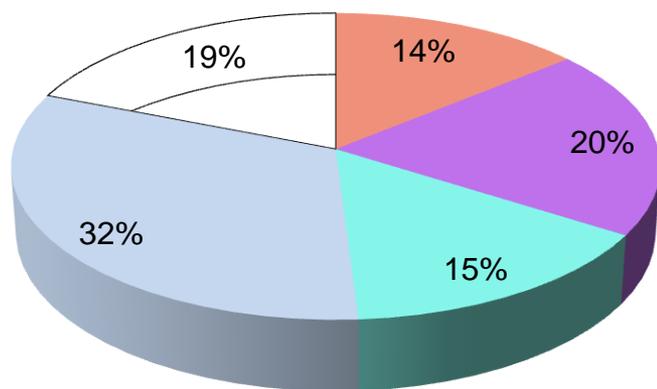


Adhere to "Three Pillars" Strategy to Support Five Core Categories



Five Core Categories* Drive Business Growth

2015H1 Retail Sell-through Mix



■ Basketball ■ Running ■ Training
■ Sports Life □ Others

Categories	Retail Sell-through, YoY Change
Basketball	<ul style="list-style-type: none"> Total: ↑ 43% New Products[^]: ↑ 61%
Running	<ul style="list-style-type: none"> Total: ↑ 18% New Products[^]: ↑ 22%
Training	<ul style="list-style-type: none"> Total: ↑ 5% New Products[^]: ↑ 12%
Sports Life	<ul style="list-style-type: none"> Total: ↑ 14% New Products[^]: ↑ 16%
Others (Including football, tennis etc.)	<ul style="list-style-type: none"> Total: ↓ 51%

Badminton*	<ul style="list-style-type: none"> Sell-in: ↑ 3%
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* Five Core Product Categories are basketball, running, badminton, training and Sports life
 Badminton products are not covered by the above charts as it is mainly distributed through professional channels
[^]New products: Current and last season products

Digital Business Induced by Smart Lifestyle

A new “Internet+” digital business model:

Our digital business aims to explore the potential needs of consumers while incorporating elements of aesthetic, innovation of material, technology and craftsmanship to suit professional sports consumers. We aim to strengthen the Li Ning digital ecosystem enabling us to become more aligned with the habits of the Chinese consumer’s ‘smart’ lifestyle

- Partner with Huami (part of Xiaomi ecosystem) to launch latest smart running shoes
- Two versions of the smart running shoes were launched in July: “Furious Rider (烈駿)” and “Rouge Rabbit (赤兔)”
- Sales of the smart running shoes adopted an “offline experience, online shopping” O2O sales model for the first time



Channel Development

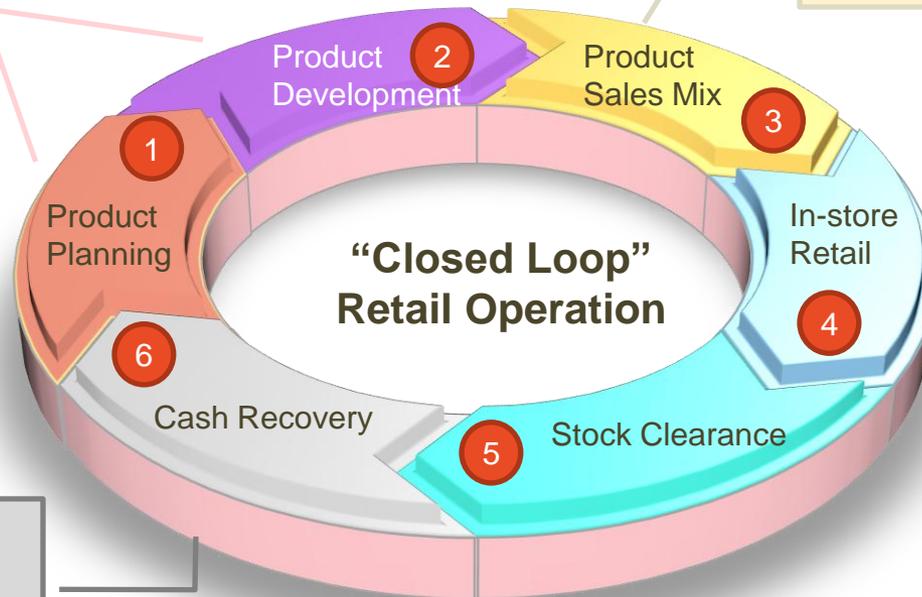
- Total number of POS increased for the first time since 2011. POS increased to 5,745 from 5,626 by end of 2014
- New POS focused in the Southern region of China with greater market potential
- Revenue from e-commerce grew significantly, with revenue mix reached 6% and 7% of total and Li Ning brand revenue respectively
- E-commerce targeted to exceed 20% of total revenue in the next 3 to 5 years



Retail Capability

Product planning development decisions to be driven by integrated operational and sales data

New product sell out rate (vs. same period last year)
Q1 Products: 6 months sell out rate \uparrow 2p.p.
Q2 Products: 3 months sell out rate \uparrow 7p.p.



Overall Platform SSSG
Q1: Mid-single-digit
Q2: Low-teens

Net operating cash flow of RMB 165million

Improved inventory levels through multiple channels including discount stores and temporary outlets

A collection of approximately 18 colorful running shoes, including models like the Nike Air Max and Brooks Ghost, arranged in a circle on a light-colored surface. The shoes feature various color schemes such as neon green, orange, red, blue, and grey. In the center of the circle, the word "Outlook" is written in a bold, dark grey sans-serif font, enclosed within a white, stylized rectangular frame with rounded corners.

Outlook

Clear market positioning: Sports Functionality and Sports Life

(Sports Functionality)

- Targets sports enthusiasts and consumer groups who understand the legacy of Li Ning brand and focus on sports functionality
- Highlights sport functionality and professionalism, reflected in product, channel and consumer interface
- Product categories mainly include running, basketball, football, badminton, tennis and table tennis etc.
- Price: low-to-mid range

(Sports Life)

- Focus on young consumers who are trend conscious
- Products will begin launch in 2015H2 and scale up in 2016
-  will appear on products and store design
- Price: low range

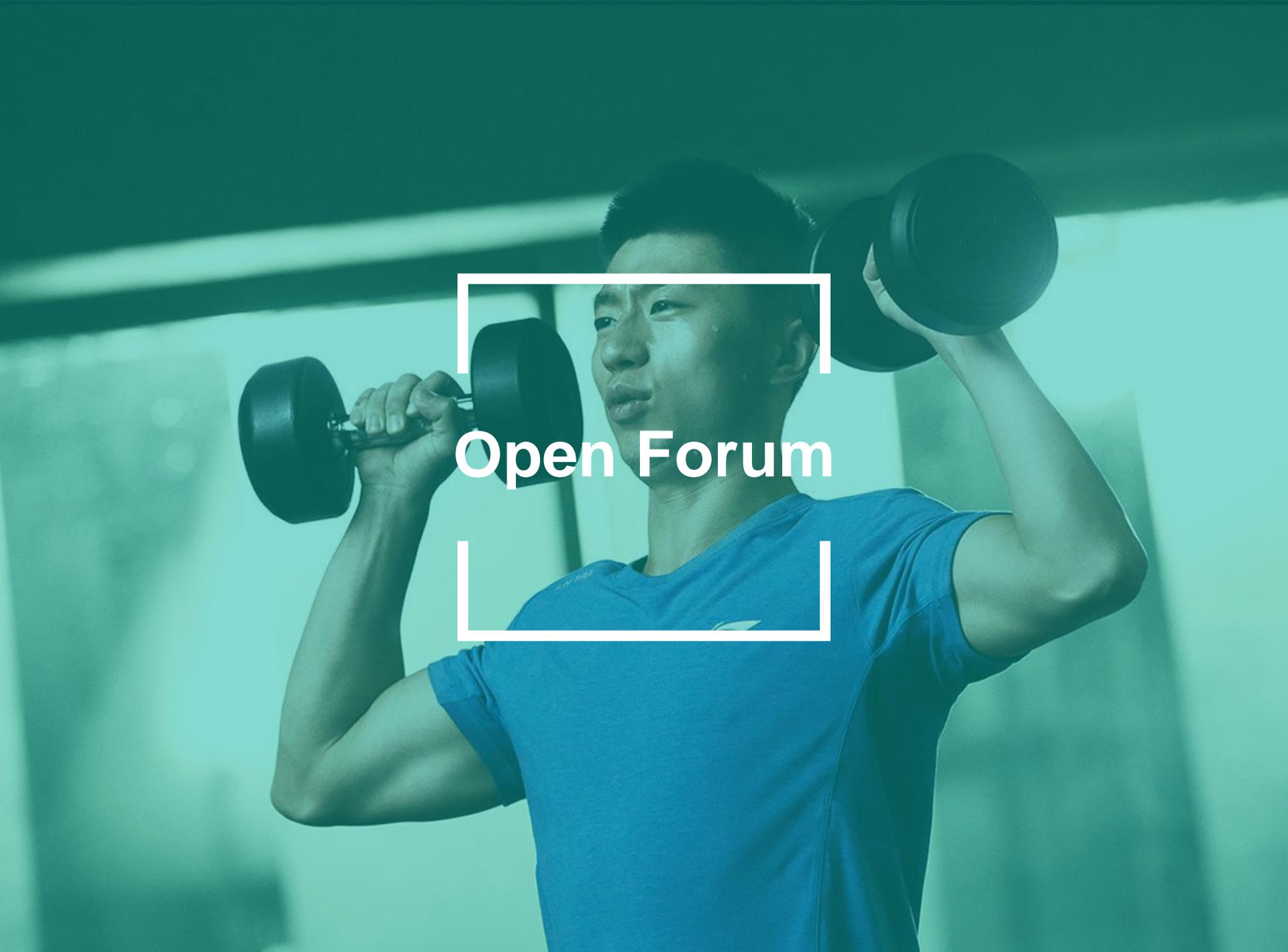


Confident in back to profitability for FY2015

- Execute brand strategy
- Sales network expansion driven by market opportunities
- Increase control on operating costs and improve operational efficiency
- Manage inventory levels at a desirable level
- Strengthen cash flow management and lower cost of capital

25th Anniversary – A New Start





Open Forum



Appendix

Summary of Income Statement

(RMB million)	H1 2015	H1 2014	Better/(Worse)
	Period ended 30 June		
Revenue	3,641	3,137	16%
Gross Profit	1,634	1,400	17%
Distribution costs	-1,314	-1,372	4%
Administrative expenses	-200	-494	60%
Other income and other gains – net	21	19	11%
Operating (Loss) /Profit	142	-448	N/A
EBITDA	260	-351	N/A
Loss Attributable to Equity Holders	-29	-586	95%
Basic Losses per share(RMB cents)	-1.55	-37.72	96%

Profit Margins And Expense Ratios

	H1 2015	H1 2014	Better/(Worse)
	Period ended 30 June		
Gross Profit Margin	44.9%	44.6%	0.3p.p.
Operating Profit Margin	3.9%	-14.3%	18.2p.p.
EBITDA Margin	7.1%	-11.2%	18.3p.p.
Margin of (Loss) /Profit Attributable to Equity Holders	-0.8%	-18.7%	17.9p.p.
R&D Expenses(as % of revenue)	2.2%	2.2%	0.0p.p.
A&P Expenses(as % of revenue)	14.3%	19.4%	5.1p.p.
Staff Costs(as % of revenue)	10.2%	13.8%	3.6p.p.

Key Operational Indicators

	H1 2015	H1 2014	Better/(Worse)
	Period ended 30 June		
Average Inventory Turnover(Days)	109	106	(3)
Average Trade Receivables Turnover(Days)	64	78	14
Average Trade Payables Turnover(Days)	90	92	(2)
Cash Conversion Cycle(Days)	83	92	9
Return on Equity(ROE)	-1.2%	-24.3%	23.1p.p.
Return on Asset(ROA)	-0.5%	-10.0%	9.5p.p.
CAPEX*(RMB million)	142	115	23.5%

Summary of Balance Sheet

(RMB Million)	30 Jun 2015	31 Dec 2014	Better/(Worse)
Cash and Cash Equivalents	1,757	1031	70%
Borrowings[^]	548	997	45%
Convertible Bonds Liabilities	706	689	(2%)
Net Cash*	1,209	34	3,456%
Current Liabilities	2,042	2,679	24%
Current Ratio(times)	2.2x	1.5x	0.7x
Total Liabilities to Total Assets Ratio	48.8%	64.1%	15.3p.p.

[^]Borrowings included Bank Borrowings and Related Parties Loan

*Net Cash = Cash and Cash Equivalents – Borrowings