

2017

Interim Results



LI-NING

LI NING COMPANY LIMITED

李寧有限公司

(於開曼群島註冊成立之有限公司)

(股份代號：2331)



Disclaimer

This presentation incorporates information contained in the interim results announcement (the “Results Announcement”) for the six months period ended 30 June 2017 of Li Ning Company Limited (the “Company”). This presentation should be read in conjunction with the Results Announcement and is qualified in its entirety by the more detailed information and financial information contained in the Results Announcement.

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Agenda

Results Highlights

Financial Review

Business Review

Appendix

The LI-NING logo is positioned in the upper right corner of the image. It features a stylized white bird-like graphic above the brand name "LI-NING" in a bold, white, sans-serif font. The entire image has a red color overlay.

LI-NING

The text "Results highlights" is centered in the lower half of the image. It is written in a large, bold, white, italicized sans-serif font. The background behind the text is a red-tinted photograph of a building facade with framed posters and a staircase.

Results highlights

2017H1 Highlights

Financial Highlights :

- **Reported net profit of RMB 189 million, margin raised from 3.2% to 4.7%**
 - Revenue up 11% to RMB 3,996 million
 - Gross profit margin expanded 1 percentage point
 - Enhanced operating leverage through disciplined cost management
 - Negative impact of RMB 22 million from new business investment
- **Operating cash flow (Excluded Double Happiness) increased over 90% to RMB 589 million**
- **Significant improvement in working capital continued**
 - Gross average working capital improved (down) by 14% while revenue increased by 11%
 - Cash conversion cycle further improved (shortened) by 19 days (2016: 75 days / 2017: 56 days)

Operational Highlights:

- **High-single digit growth for total platform retail sales, including online and offline channels**
- **Channel inventory turnover improvement continued**
- **Overall Same-Store-Sales in 2017H1 grew mid-single digit**
- **New product performance improved**
 - Sell-out rate up over 4 percentage points
 - Discount rate improved 1 percentage point



LI-NING

Financial review

SUPER
ANGRY 14

始于轻
始于轻
始于轻

DWARD

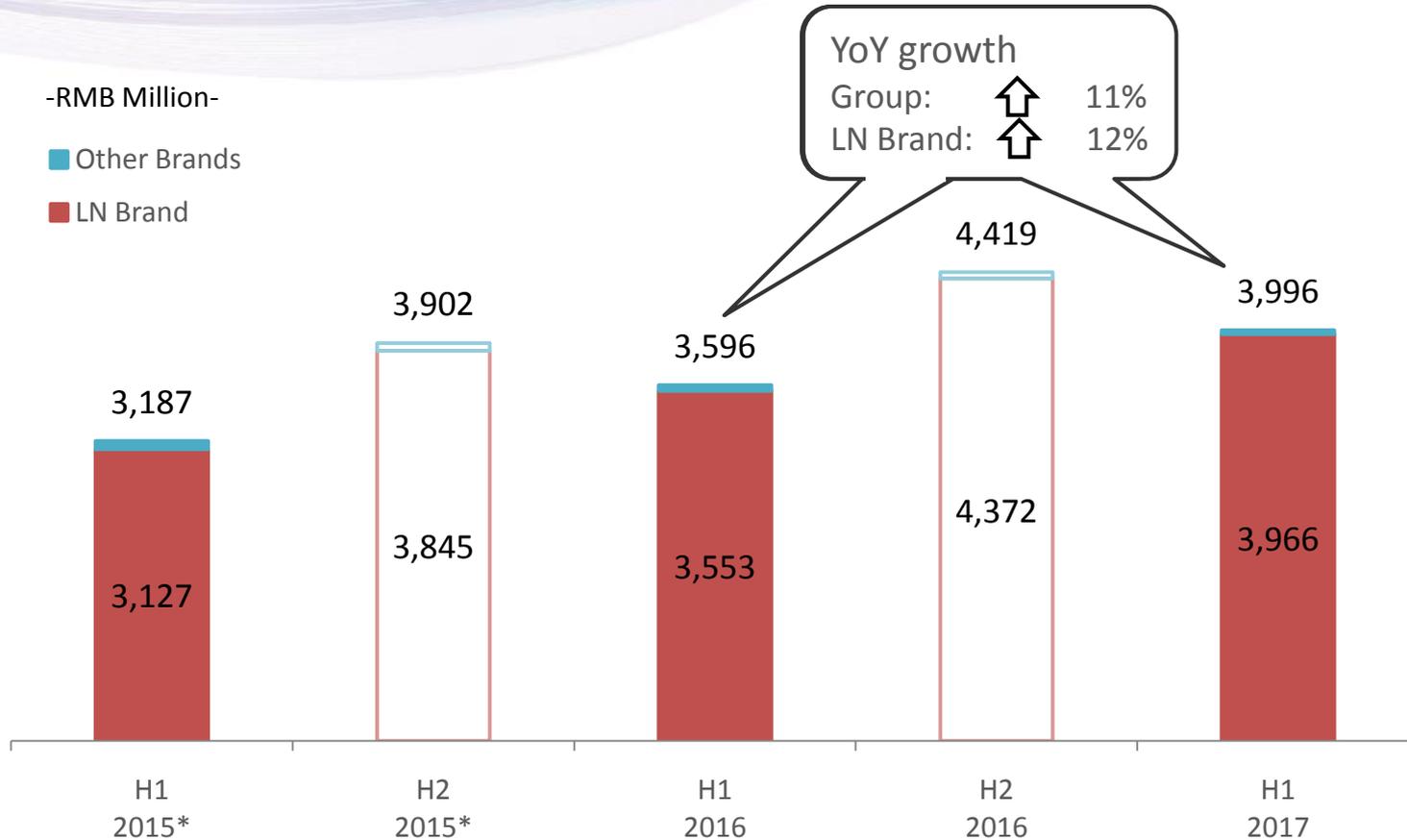
Revenue

Group Total

-RMB Million-

■ Other Brands

■ LN Brand



YoY growth
 Group: ↑ 11%
 LN Brand: ↑ 12%

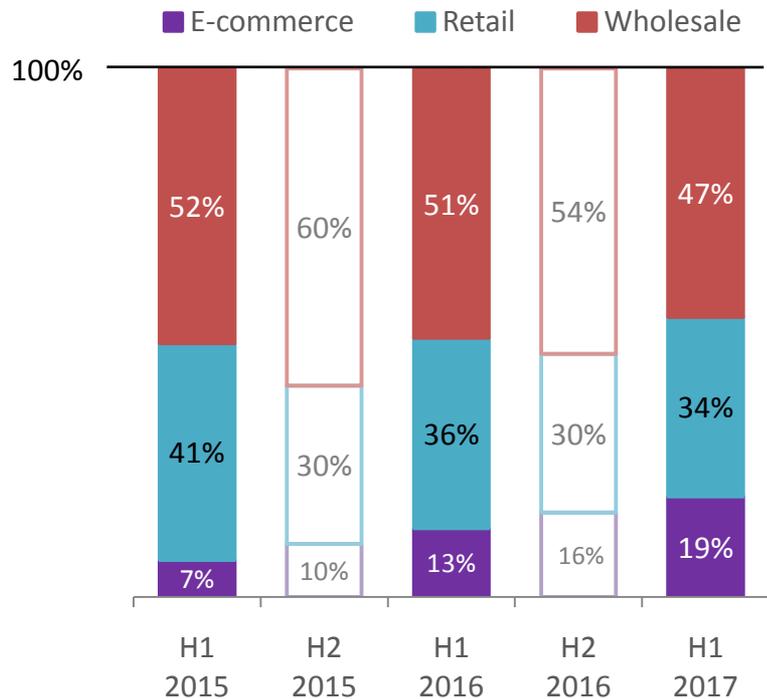
Growth continued led by Li Ning brand momentum

*Excluded Double Happiness

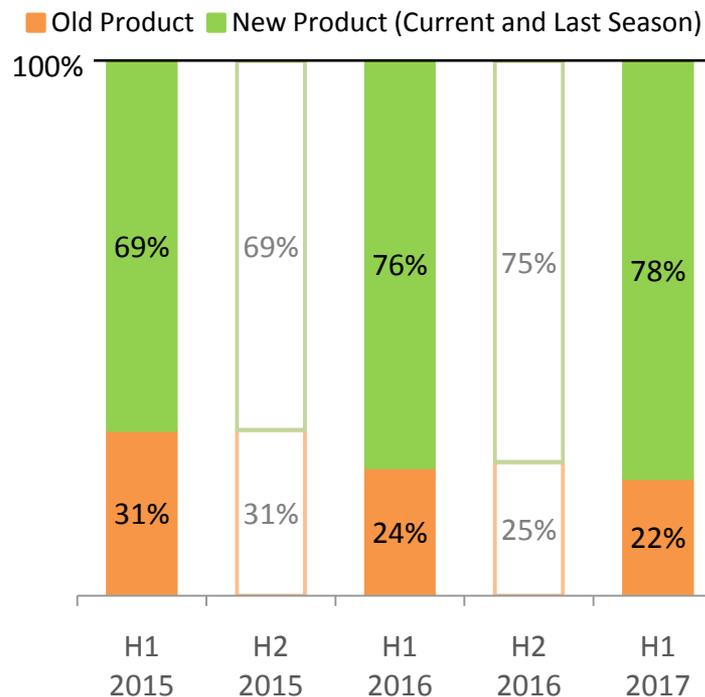
Revenue and Sell-Through Mix

LN Brand, excl. international markets

Company Revenue Mix



Sell-Through Mix (Incl. Retail, Wholesale and E-commerce)



Enhanced profitability driven by further balanced business model

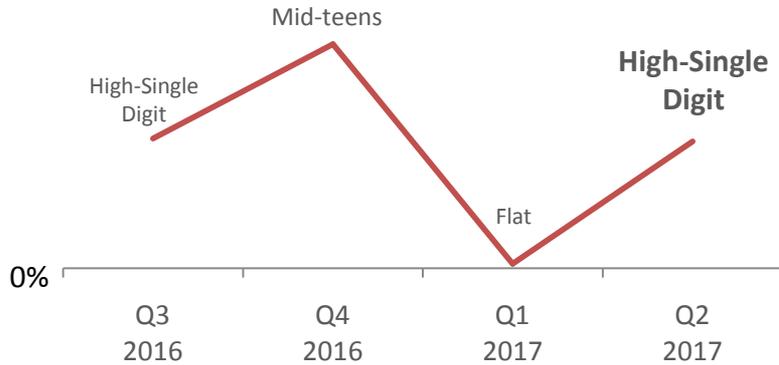
Same Store Sales Growth (SSSG) Rate

LN Brand

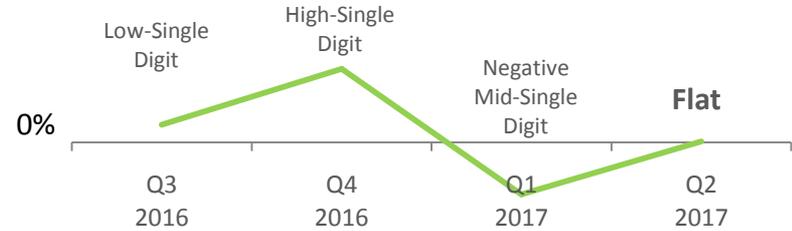
SSSG (H1: 2017 vs 2016)

- Overall ↑ Mid-Single Digit
- Retail ↓ Low-Single Digit
- Wholesale ↓ Low-Single Digit
- E-commerce* ↑ High-Sixties

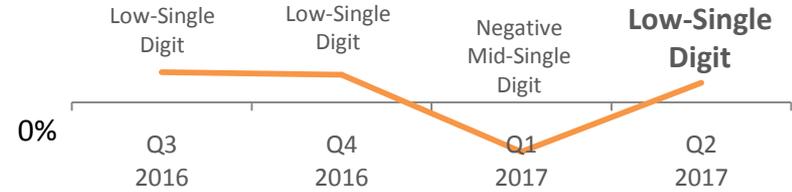
Overall Platform



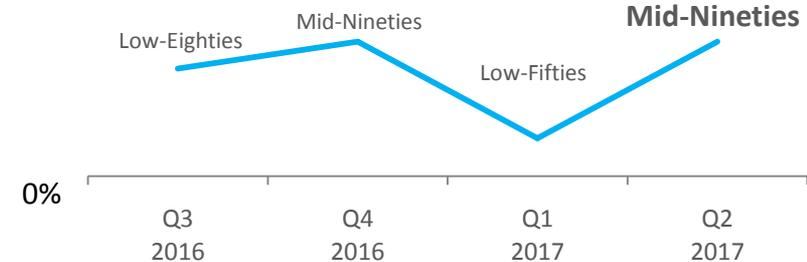
Retail



Wholesale



E-commerce*

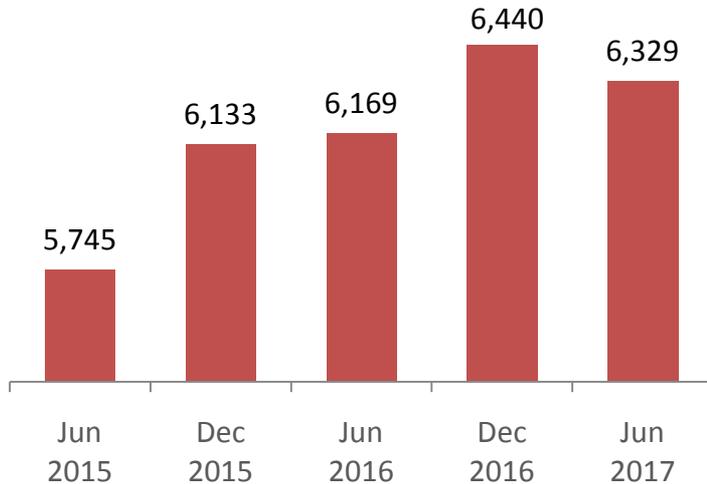


*E-commerce: LN brand sell-through generated from T-mall, JD and Lining.com

Online and Offline Expansion

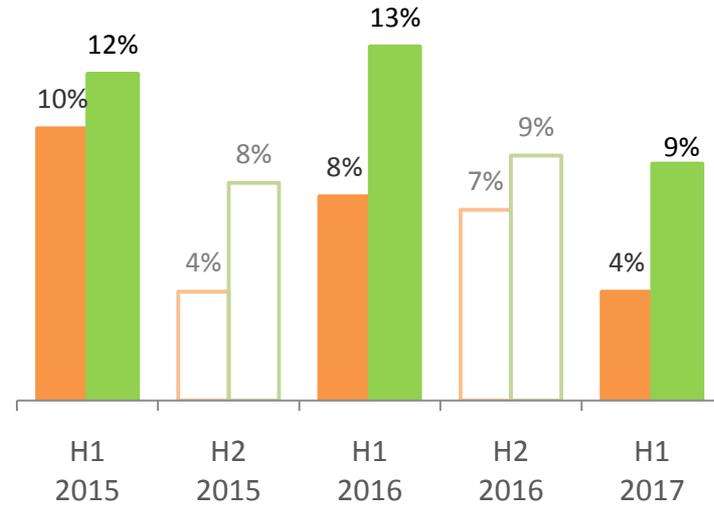
LN Brand, excl. international market sales

No. of POS (Period End)



Sell-through growth, YoY %

Offline Channel Online and Offline Channels

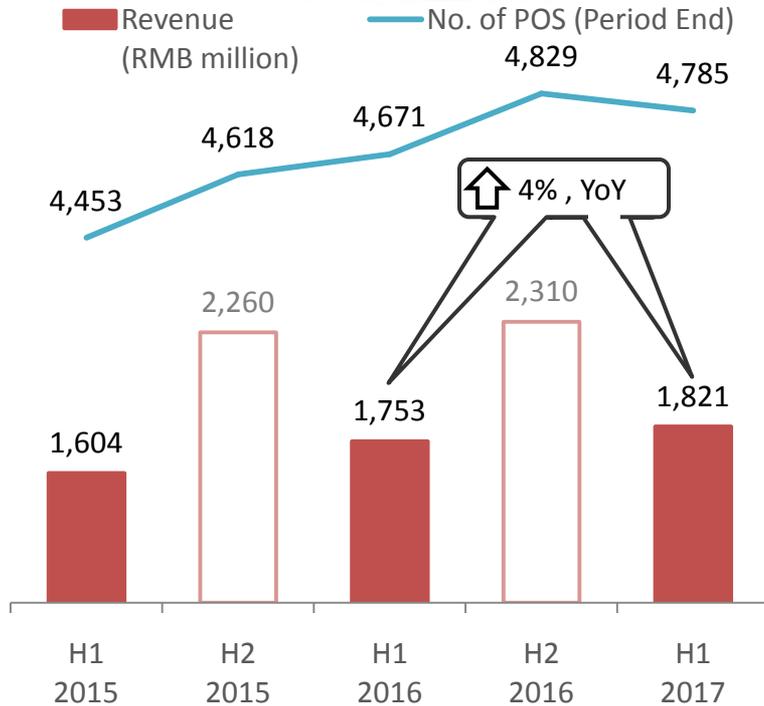


Productive expansion continued to drive business growth

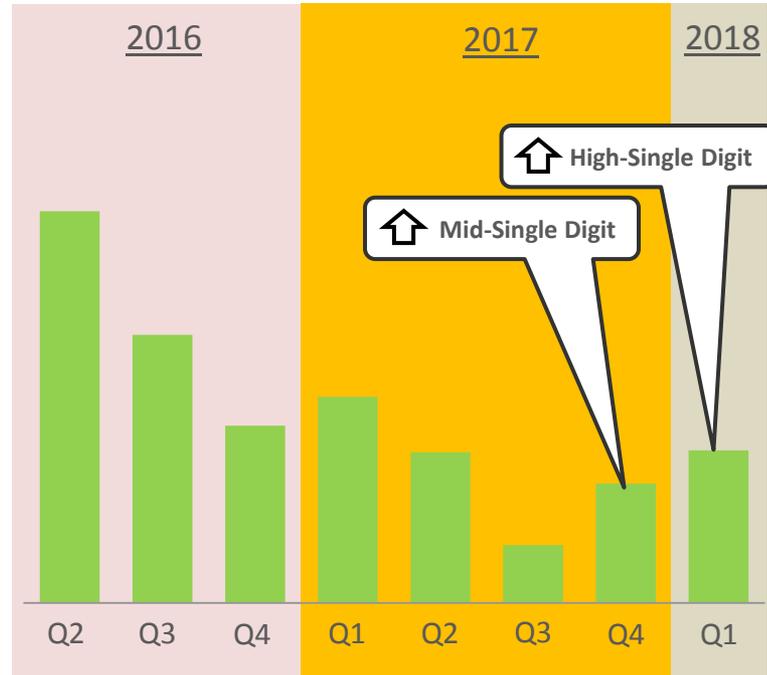
Wholesale Business[^]

LN Brand, excl. international market sales

Business Performance



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



Controlled business growth led by precise trade fair order strategy

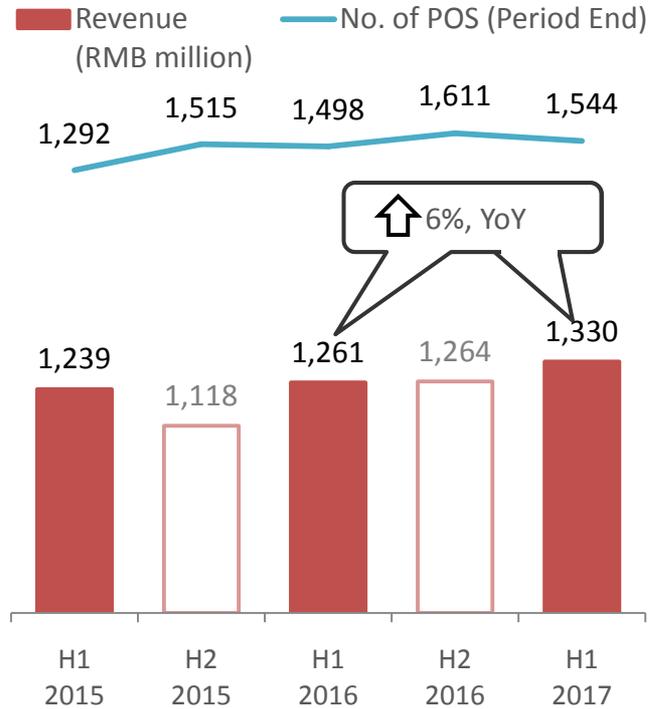
[^] Wholesale business: Including sale of badminton and football categories products to specialty-store channel wholesaler

*Order placed during trade fair (excl. orders from subsidiaries), e.g. 2018Q1 orders were placed about half year ago

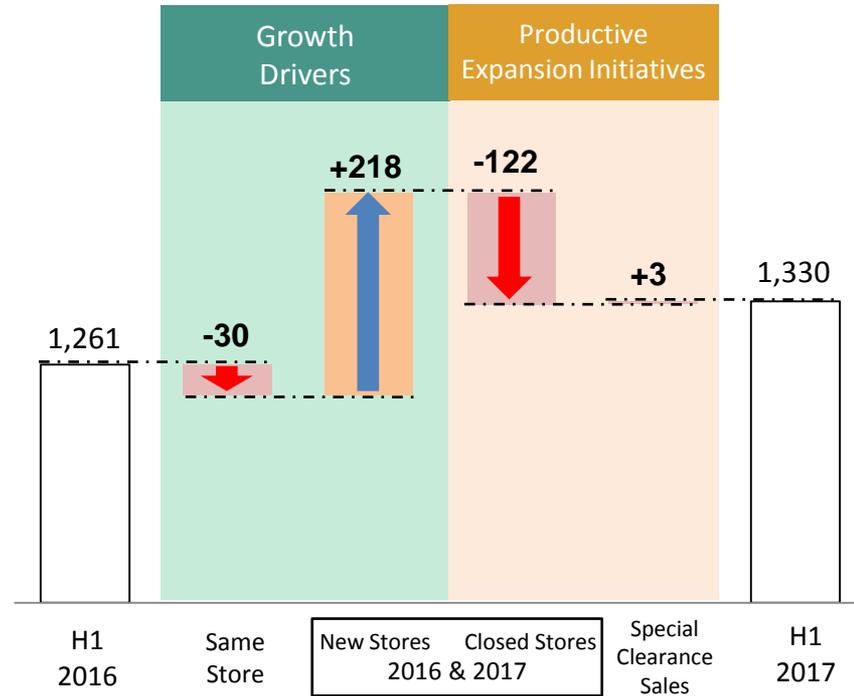
Retail Business[^]

LN Brand

Business Performance



Revenue Growth Analysis

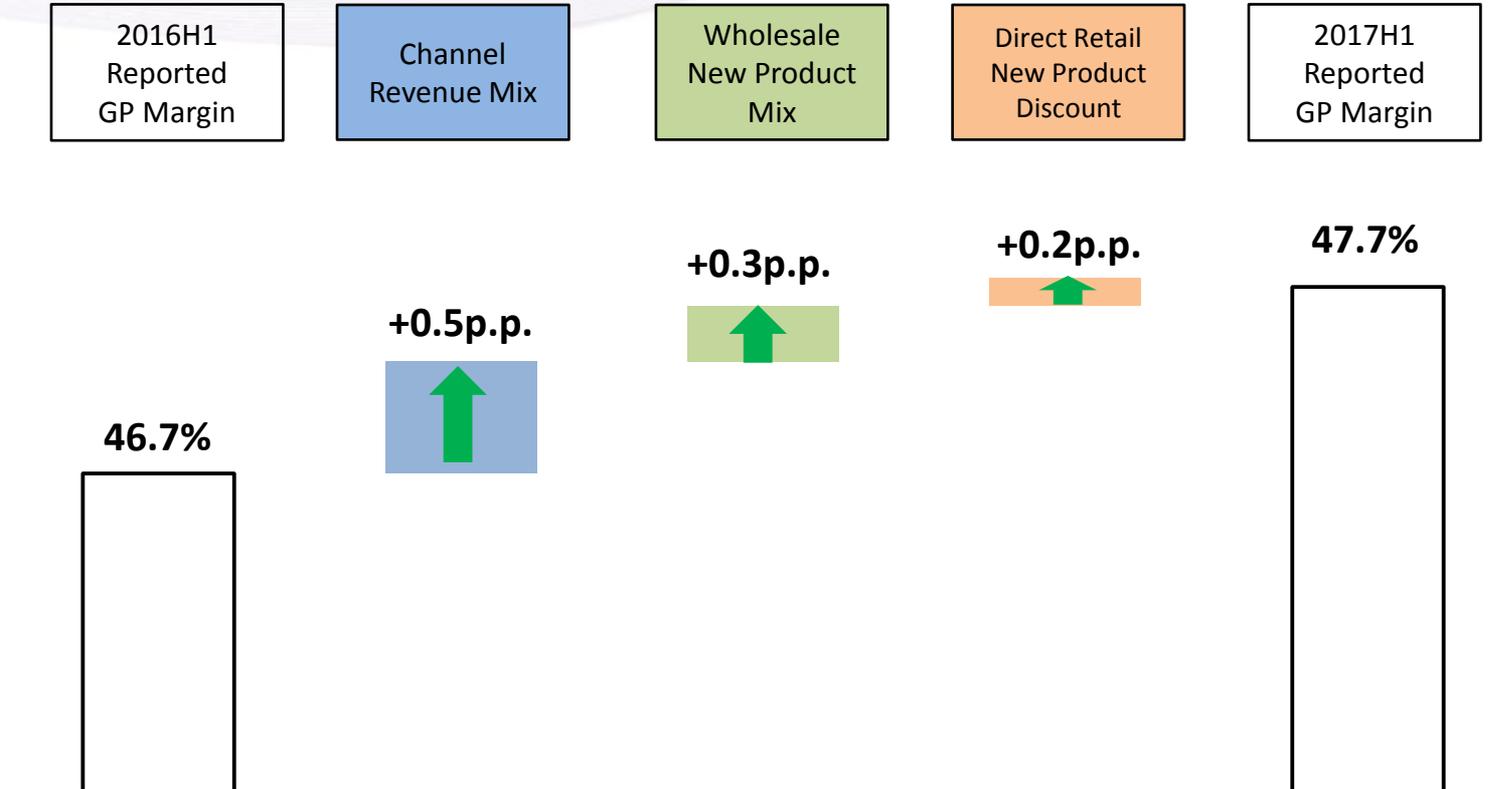


Revenue growth impacted by negative SSSG and non-productive store closure

[^] Retail business: Refers to direct retail operation
Excluded Blue label concept stores

GP Margin Analysis – 2017H1 vs 2016H1

Net Change in Major Items

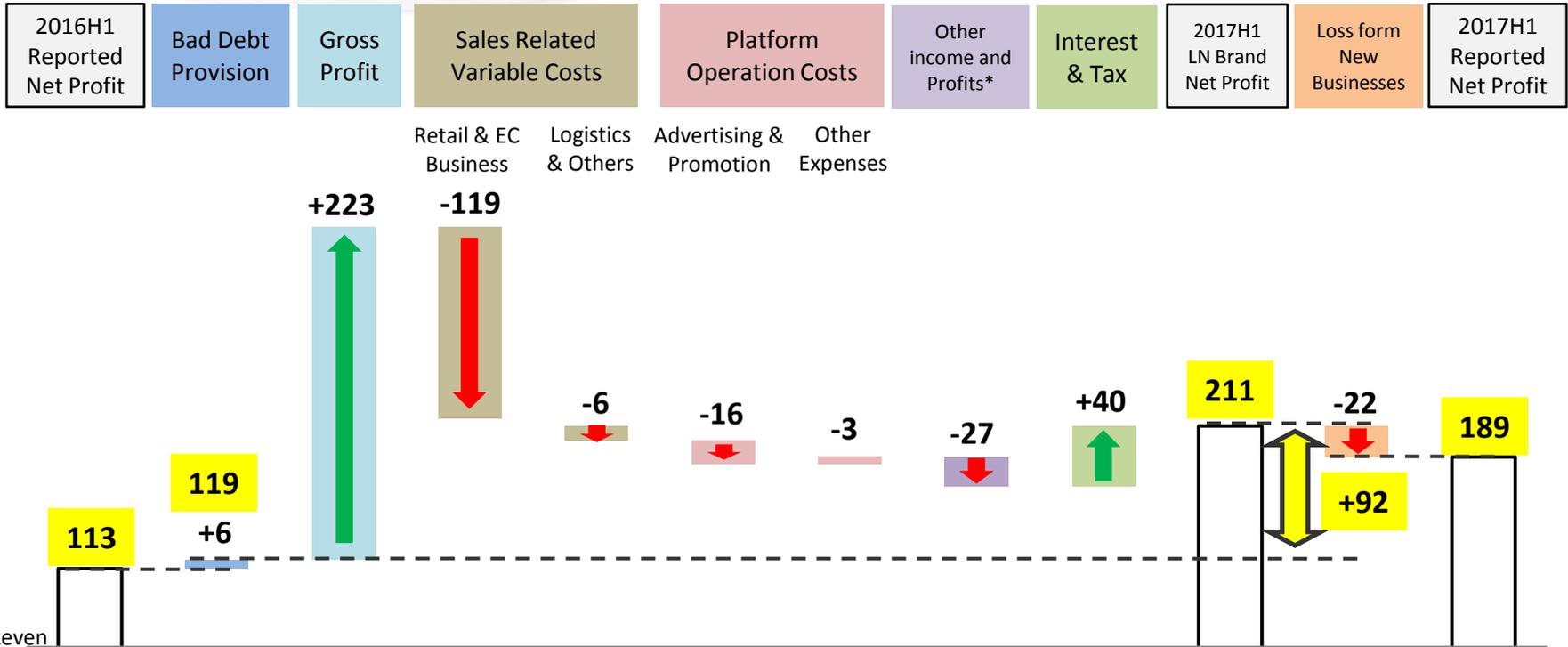


Gross profit (GP) margin expansion driven by enhanced channel mix

Profitability Analysis – 2017H1 vs 2016H1

Net Change of Major P&L Items

-RMB Million-

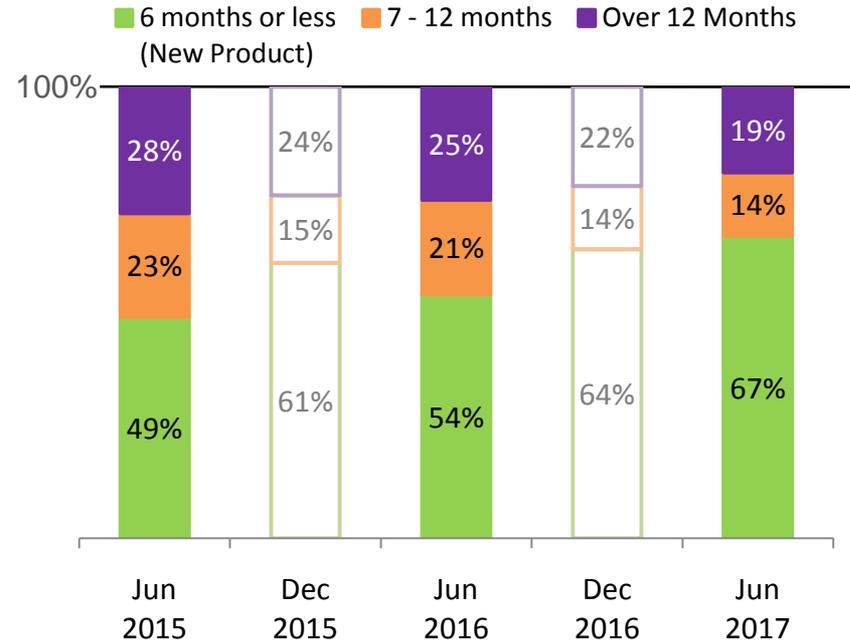
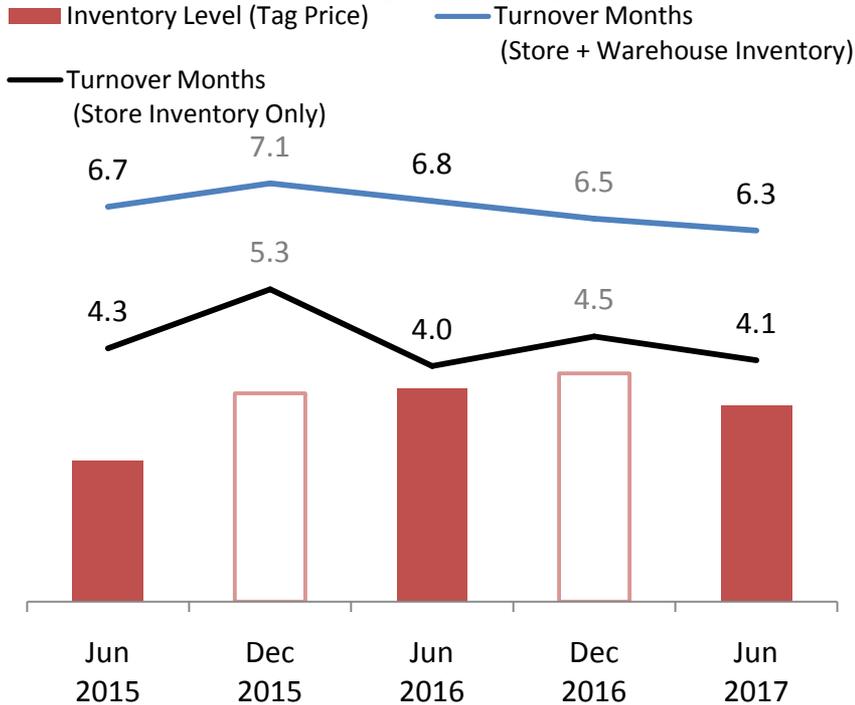


Margin expansion continued; Led by operating leverage of LN brand and partially offset by new business investments

*Other income and profits include (i) miscellaneous income and gains, (ii) share profit from associate

Channel Inventory

Incl. Retail, Wholesale and E-commerce



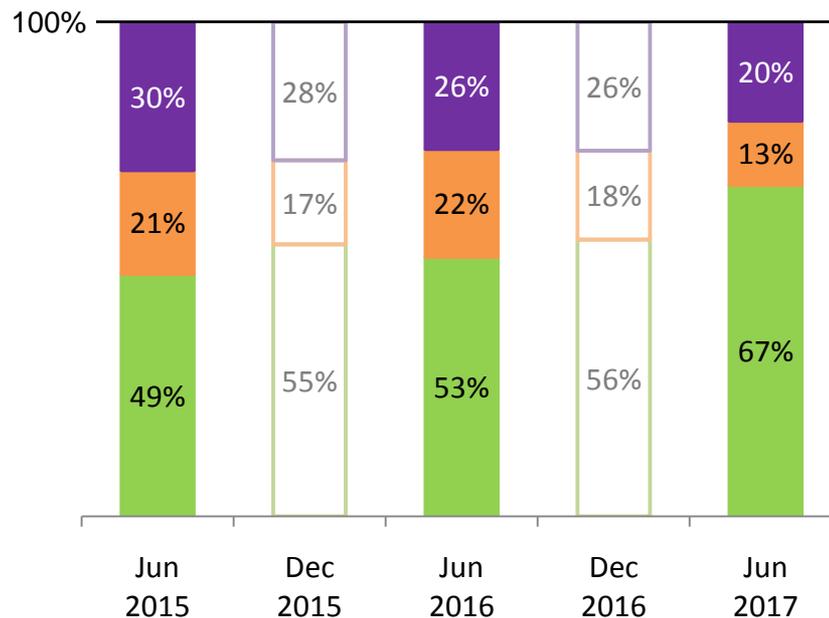
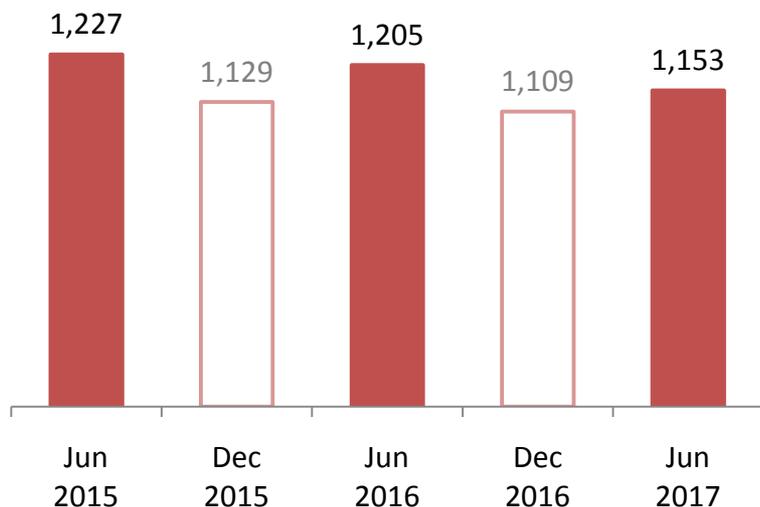
Improvement in efficiency and inventory mix driven by controlled wholesale business initiatives

Company Inventory

Excl. Double Happiness

At cost, before provision
(RMB Million)

6 months or less 7 - 12 months over 12 months

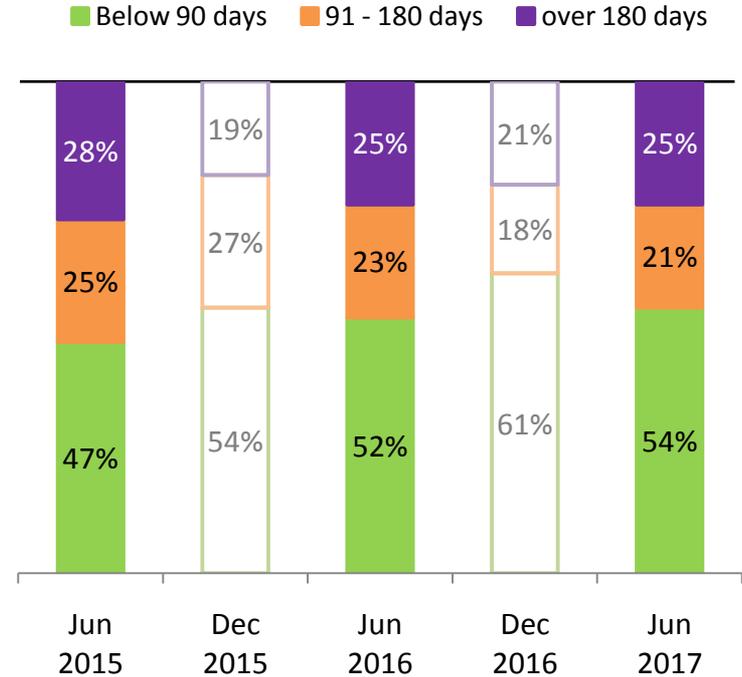
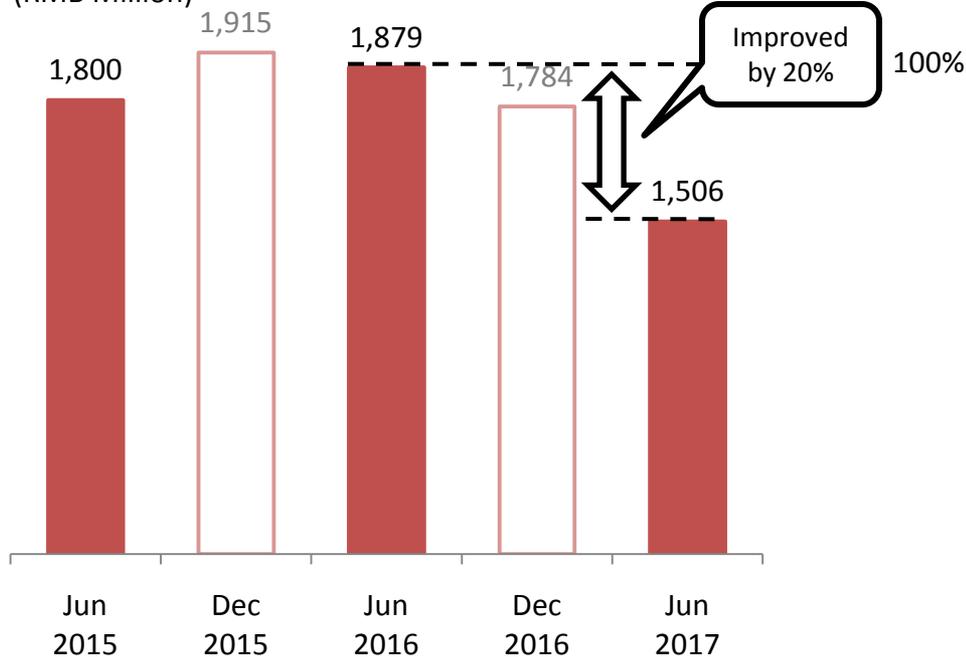


Further optimized inventory mix notwithstanding expansion in direct operated business (Incl. EC)

Trade Receivables

Excl. Double Happiness

At gross amount, before provision
(RMB Million)



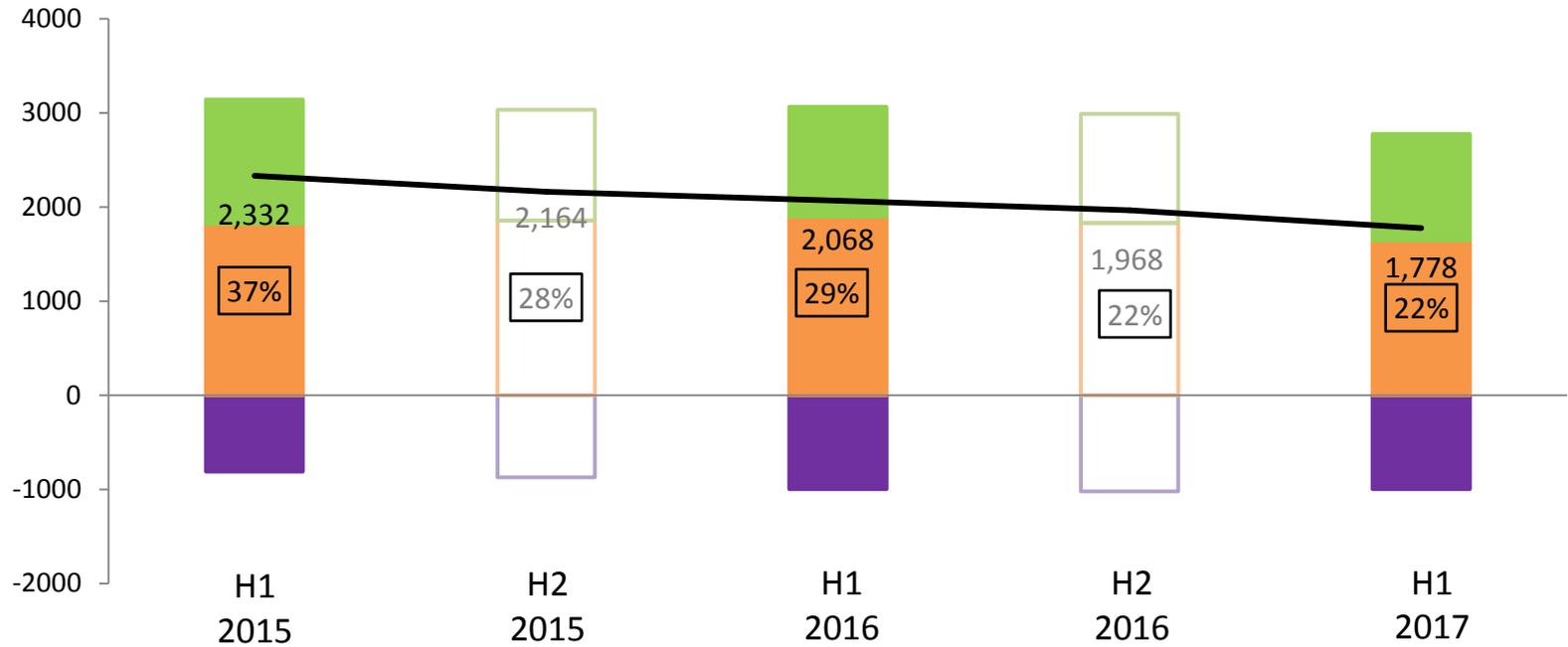
Receivables volume significantly improved

Working Capital Efficiency

Excl. Double Happiness

-RMB Million-

■ Inventory[^]
 ■ Trade Receivables[^]
 ■ Payables[^]
 Working Capital[#]
 Working Capital[#] as % of Revenue*



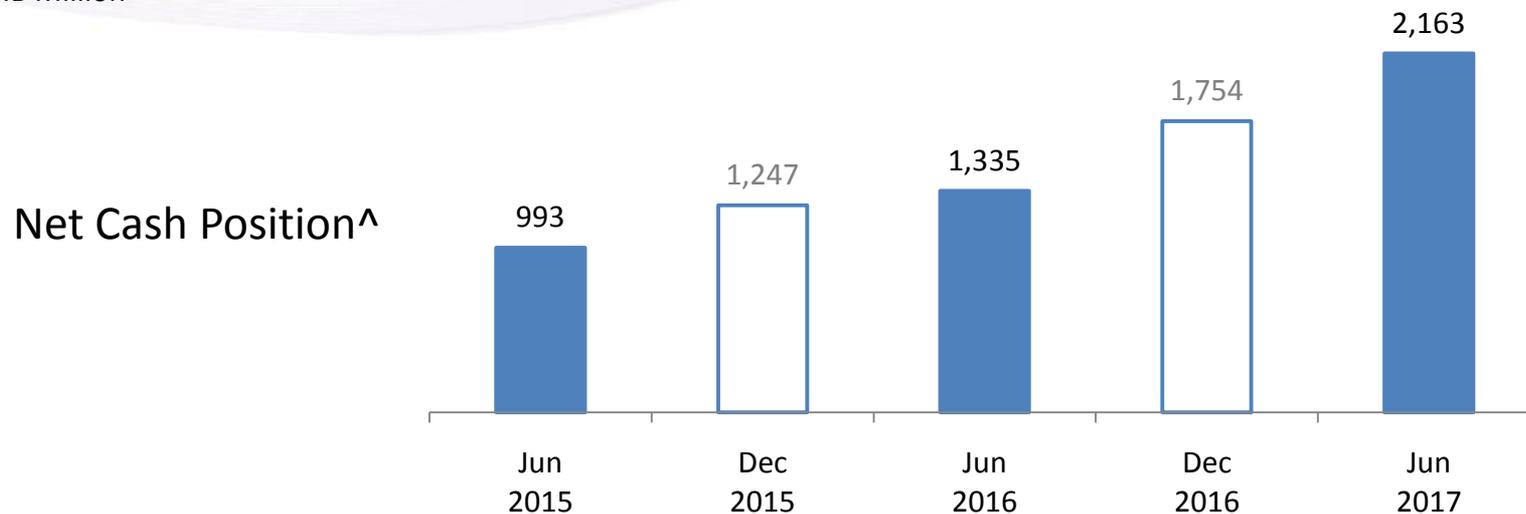
Working capital efficiency further enhanced

[^] Simple average between period opening and ending
[#] Gross Amounts of inventory, trade receivables and payables, without netting off provisions
^{*} Annualized revenue

Balance sheet summary and cash position

Excl. Double Happiness

-RMB Million-



-For the Six Months Period-

Cash Conversion Cycle (Days)	90	71	75	56	56
Operating Cash Flow	91	596	304	532	589

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

RUNNING



Business Review

Foster the LI-LING Brand Value Through Experience , Embrace The Opportunities In Sports Market

National Policies in favor of industry development

- Implement policies that promote the development of sports industry, including < No.46 Guidance issued by the State Council>, < National Fitness Program>
- Regular sports participant are estimated to increase from approx. 400 million in 2016 to 500 million in 2025.



Sports Experience

Sports industry trend in China

- The sales of sporting goods in China are estimated to increase from RMB190 billion in 2016 to RMB270 billion in 2021.
- The number of participants in marathon or related races have reached 2.8 million in 2016 and is estimated to reach 10 million in 2020.



Product Experience

Demand for smart products

- The demand for sports electronics equipment was driven by the increasing popularity of personal sports data analysis.
- Runners tend to use social media platform to conveniently share their sports records, in order to seek recognition.



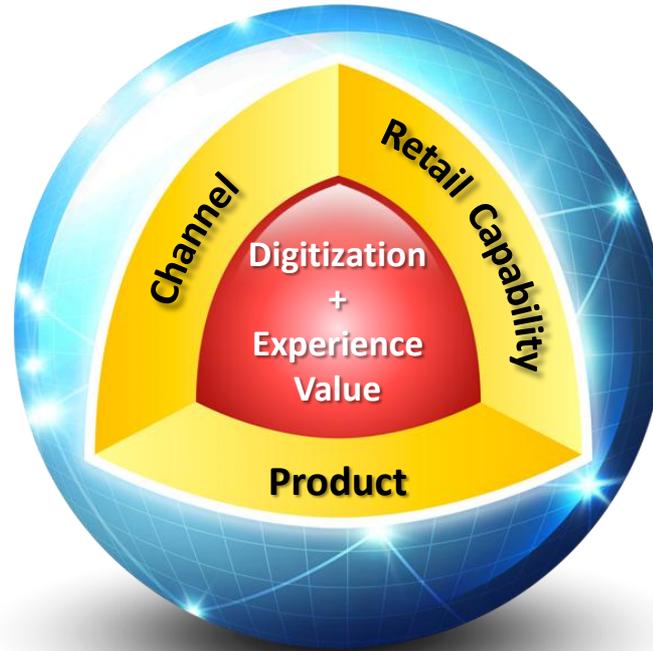
Shopping Experience

LI-NING Brand Value Through Experience

Experience through interacting with sports participants, design the products to meet their needs and provide flexible experience according to the differentiated consumption habits.

Enhance Experience Value based on the foundation of “Three-Pillar” Strategy and Digitization

- Establish all-rounded experience value through product, channel and retail capability
- Strengthen brand value through digitization



- Classify stores by categories with own profitability model, to match product planning and assortment
- Optimize channels to enhance retail sales efficiency, by closing down low productivity and loss-making stores

- Upgrade store image and implement standard operating procedure
- Reinforce the training for frontline sales and building sports advisors team
- Strengthen membership platform through omni-channel digital marketing

- Enhance sports functionality adhered, integrate trendy elements into design
- Differentiated product assortment and management

Product: Five Core Categories* Drove Business Growth

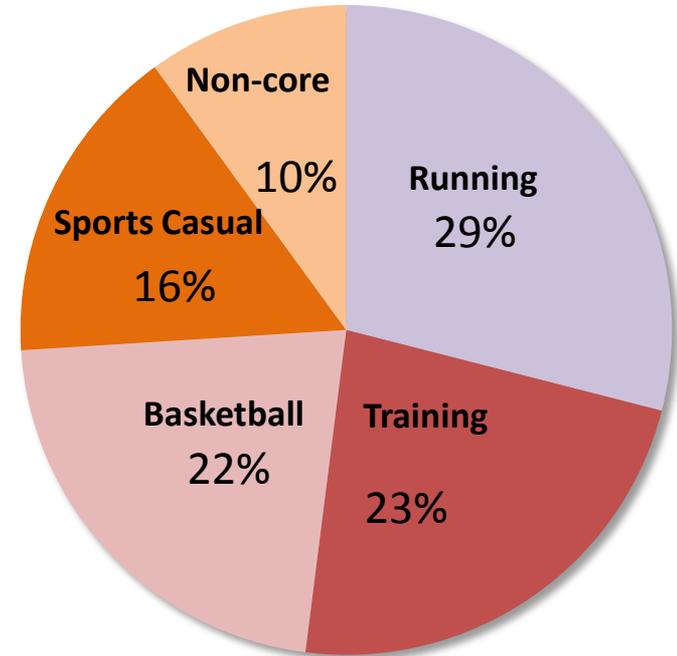
Retail Sell-through – YoY Change

Total Value		↑ 9%
	Running 	↑ 26%
	Training 	↑ 15%
	Basketball 	↑ 5%
	Sports Casual 	↑ 2%
	Non-core	↓ 21%

Sell-in – YoY change

	Badminton* 	↑ 6%
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Retail Sell-through – Mix



*The “Five Core Product Categories” include running, training, basketball, sports casual and badminton
 Sales of badminton products are shown with sell-in data for reference as they are mainly distributed via professional channels

Running Product: Diversified running footwear portfolio

High

Functionality

Casual

<p>Supreme Functions</p>	<p>“Air Arc” Running Shoes</p> <ul style="list-style-type: none"> • Launched in 17Q1 • Tag price: RMB499 • 6 months sell-out rate: 62% • 6 months sales volume: Approx. 370,000pairs 	<p>“Classic Arc” Running Shoes</p> <ul style="list-style-type: none"> • Launched in 17Q1 • Tag price: RMB399 • 6 months sell-out rate: 71% • 6 months sales volume: Over 400,000 pairs 	<p>Super Light 14th Running Shoes</p> <ul style="list-style-type: none"> • Launched in 17Q2 • Tag price: RMB479 • 3 months sell-out rate: 56% • 3 months sales volume: Over 560,000 pairs 
<p>For Practical Training</p>	<p>Cushion Running shoe</p> <ul style="list-style-type: none"> • Launched in 17Q1 • Tag price: RMB369 • 6 months sell-out rate: 74% • 6 months sales volume: Approx. 230,000 pairs 	<p>Light weight V1 Running shoe</p> <ul style="list-style-type: none"> • Launched in 17Q1 • Tag price: RMB299 • 6 months sell-out rate: 74% • 6 months sales volume: Approx. 120,000pairs 	
	<p>Speed Star Running Shoes</p> <ul style="list-style-type: none"> • Launched in 17Q2 • Tag price: RMB369 • 3 months sell-out rate: 55% • 3 months sales volume: Over 220,000 pairs 	<p>Light weight V2 Running shoe</p> <ul style="list-style-type: none"> • Launched in 17Q2 • Tag price: RMB299 • 3 months sell-out rate: 54% • 3 months sales volume: Over150,000 pairs 	

Basketball Product: Combination of Function and Fashion

	Basketball Court Shoes	“WADE” series	BAD FIVE apparel series
Design Focus	<ul style="list-style-type: none"> • Li-Ning shock-absorption technology applied to the midsole • Carbon-fiber plate provides support to midfoot and prevents sprains • Special knit structure, practical and good-looking 	<ul style="list-style-type: none"> • Trendy and stylish sports casual • Casual and all-match, simple but fashion • Provide choices of diversified all season products 	<ul style="list-style-type: none"> • Focus on street basketball fashion • Playful design, simple but fashionable • Trendy and stylish, sporty and energetic
Key Product	<p>CBA designated “Sonic V” basketball shoes</p>  <ul style="list-style-type: none"> • Launched in 17Q2 • Tag price: RMB 599 		
2017 Sales Performance	<ul style="list-style-type: none"> • 3 months sell-out rate: 46% • 3 months sales volume: Over 40,000 pairs 	<ul style="list-style-type: none"> • 6 months sell-out rate: 76% • 6 months sales volume: Over 570,000 units 	<ul style="list-style-type: none"> • 6 months sell-out rate: 65% • 6 months sales volume: Over 630,000 units

Training Product: Technological elements boost performance

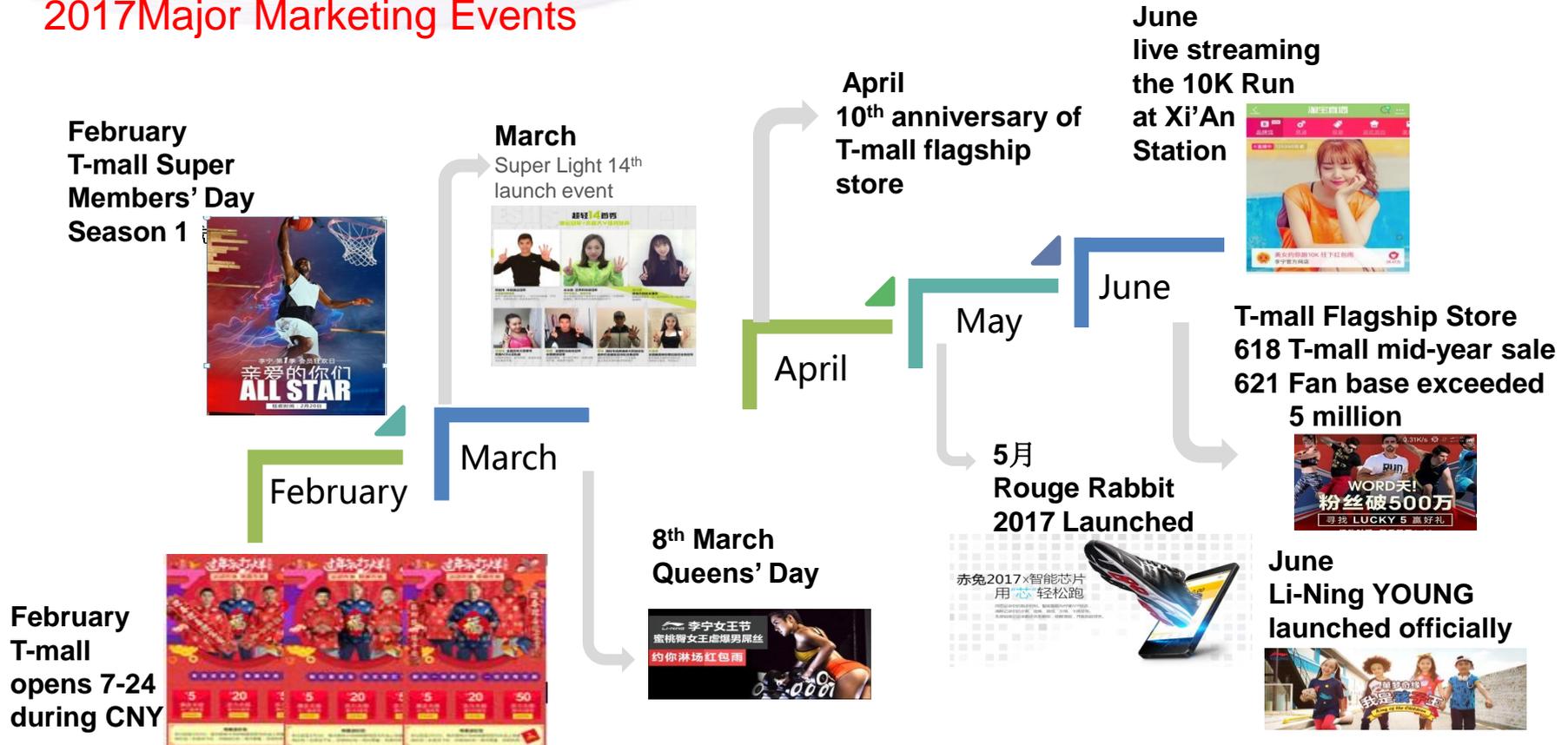
	Training Footwear		Training Apparel
Design Focus	<ul style="list-style-type: none"> Breathable one-piece knit EVA light sole provides flexibility 	<ul style="list-style-type: none"> Reinforced support provides good protection Elastic big sole enhances flexibility 	<ul style="list-style-type: none"> Keep warm: far-infrared WARM AT FAR INFRARED Quick-dry: AT DRY/ AT DRY FREEZE Protection: AT PROOF WIND/ AT-BACTERIA
Key Product	<p>Super Trainer – One-piece knit trainers</p>  <ul style="list-style-type: none"> Launched in 17Q1 Tag Price: RMB 369 	<p>One-piece knit trainers</p>  <ul style="list-style-type: none"> Launched in 17Q1 Tag Price: RMB 439 	
2017 Sales Performance	<ul style="list-style-type: none"> 6 months sell-out rate: 74% 6 months sales volume: over 200,000 pairs 	<ul style="list-style-type: none"> 6 months sell-out rate: 78% 6 months sales volume: approx. 40,000 pairs 	<ul style="list-style-type: none"> 6 months sell-out rate: 73% 6 months sales volume: over 2,000,000 units

Sports Causal Products: Uniqueness by Colors and Texture

	Hero Products		
Design Focus	<ul style="list-style-type: none"> • Full palm cushion protection; upgraded Tech+ experience • Multi-color mix & match, break up the boredom 	<ul style="list-style-type: none"> • Neat and clean shoe body design, simple but unique • Lightweight thickened IP midsole, providing a comfortable wearing experience 	<ul style="list-style-type: none"> • Single-piece knitting vamp that allows feet to breathe • Bubble UP half palm air cushion + EVA midsole, giving a comfortable wearing experience
Key Product	<p data-bbox="318 583 608 644">Bubble Face full palm air cushion casual shoes</p>  <ul style="list-style-type: none"> • Launched in 17Q1 • Tag Price: RMB 439 	<p data-bbox="772 583 1130 608">Heather Classic Casual Shoes</p>  <ul style="list-style-type: none"> • Launched in 17Q2 • Tag Price: RMB 299 	<p data-bbox="1410 571 1719 632">Bubble UP Knit half palm air cushion casual shoes</p>  <ul style="list-style-type: none"> • Launched in 17Q2 • Tag Price: RMB 399
2017 Sales Performance	<ul style="list-style-type: none"> • 6 months sell-out rate: 75% • 6 months sales volume: over 220,000 pairs 	<ul style="list-style-type: none"> • 3 months sell-out rate: 62% • 3 months sales volume: approx. 130,000 pairs 	<ul style="list-style-type: none"> • 3 months sell-out rate: 56% • 3 months sales volume: over 230,000 pairs

Channel: Capitalized on trends, diversified online experience

2017 Major Marketing Events



Channel: Digitalization enhanced efficiency and experience

Forecast system based on data analysis

- More accurate product planning and sales forecast
- Coordinate and integrate forecast with supply chain to improve operating efficiency
- Increase customer loyalty through enhancing user experience
- Continuously increase O2O interaction to seek for business opportunities



Strengthen "We Media" culture for online stores

Precision Marketing

Trendy Crowd

把地敷衍 格调由我

私人订: 超吸睛, 大拿牌, 最新潮流不多! 可歌可泣, 可歌可泣, 可歌可泣!

Professional Crowd

私享家

健身训练专辑 - Lining/李宁 -

Live Streaming

李宁女王节

蜜桃臀女王 金牌男爵丝

约你淋场红包雨

Increase view conversion rate to over 12.8%

美女的冲跑10K 狂下狂抢

Promotion for pre-launch; Online viewers reached 240,000

#夜不寐#

灯光熄灭后, 你以为我会停下, 然而在别人的睡梦中, 我走了更远。不要让黑越成为你的阻碍, 只要心中有光, 黑夜也是你的主场! (视频有彩蛋, 要看到最后哦!)

2017做追光青年 - Lining/李宁 -

Content marketing + interaction

User interaction, increase customer loyalty, establish the characteristics of "We Media"

黑科技

黑科技 怎么玩都6

w591504468

非常喜欢Shear Reduction"暴风"篮球鞋, 理由这款篮球鞋中底技术经多轮严格测试优化, 灵敏减震, 功能性与耐久性兼备, 让能量瞬间爆发, 是有效的防止水平冲击力, 减少膝盖超负荷的状况出现, 是我们常说的"黑科技"哦!

光影恋念

比较喜欢李宁全掌气垫, 鞋跟采用一体加工工艺编织鞋面, 鞋头有细密网孔, 双脚自由呼吸, 减少闷热感, 底部有全掌托气垫, 高效分解脚部压力, 长跑更加省心, 而且减震色彩设计将美学和动感结合在一起, 跑起来带劲风, 对于体重较大来说确实不错, 爱跑步, 爱李宁!

每一帧 极致

影踪约会

#开季福利# 买就送惊喜, 校花小帮你来! 1.55

关注! 看看你打健身还差哪些呢?!

1.55

HAPPY BIRTHDAY DAY

长大的熊孩子

怎么玩都6

惊喜来啦! 六月月份福利月, 千元大礼包宠你!

More than 530,000 views since the night walker video has been uploaded for two days

Channel: Well-defined categories stores focused on high store productivity



- ✓ Enhance consumer's experience
- ✓ Optimize and Innovate Stores VI/VM
- ✓ Strengthen product and retail operation

1	Revamp	Expand stores with high productivity in key market
2	Open	Open large influential stores in key markets
3	Close	Close low productivity and loss-making stores

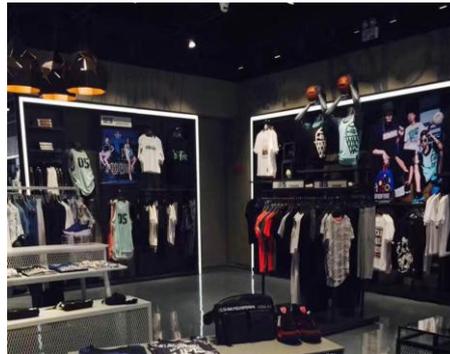
Channel: Well-defined category stores

Full-Categories Store – Shanghai River Mall experience store

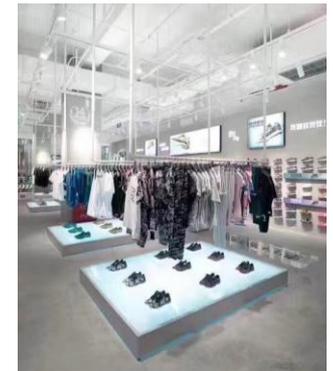


Channel: Well-defined category stores

Category focus store – Basketball-focused store
Beijing Wukesong Hua Xi HI-UP store



Category focus store – Sports casual store
Beijing Wangfujing Danyao store



Channel: Focus on larger stores with high store productivity

Xi'an Xiaozhai Saige experience store



- Located in the core business district in the most important city in Northwest China
- Area: Approx. 400 square meters

Dalian New Mart Shopping Plaza experience store



- Core business district in Dalian
- The first experience store in China's department store
- Area: Approx. 400 square meters

Conghua Chang Chao experience store



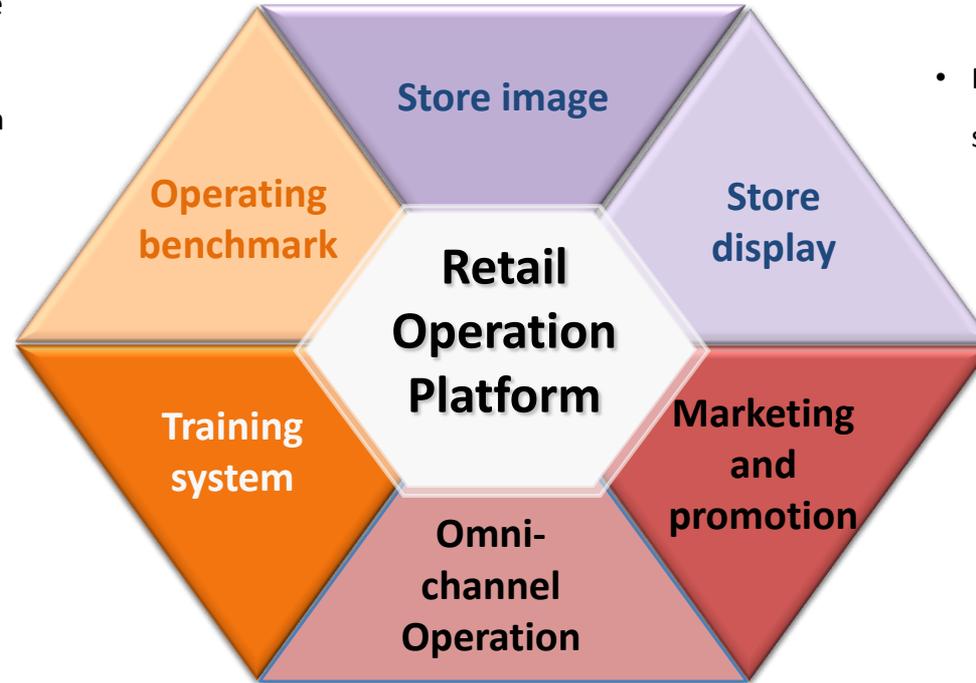
- The first large scale experience store in third-tier city in Southern China
- Area: Approx. 500 square meters

Retail Capability: Optimizing Retail Operation Platform

- Refined and upgraded store management system
- Enhanced evaluation system

- Enhance training system in a step-ladder approach
- Equipped the frontline sales with ability of recommending adjustment for the rhythm of product sales according to regional weather, consumer habits etc.

- Identify store image by categories
- Optimized the design process



- Initially established O2O all-in-one inventory system
- Implemented direct to store delivery

- Product display according to the store images and locations

- Promotion based on area with different seasons
- Marketing in new media and multi-channels
- Professional sports advisor stationed at the stores
- Membership experience and interaction

Retail Capability: Strengthened The Retail Operation “Closed Loop”

(Data reflected the situation in the first half of 2017 and YoY change)

Offline Channel Sales Performance

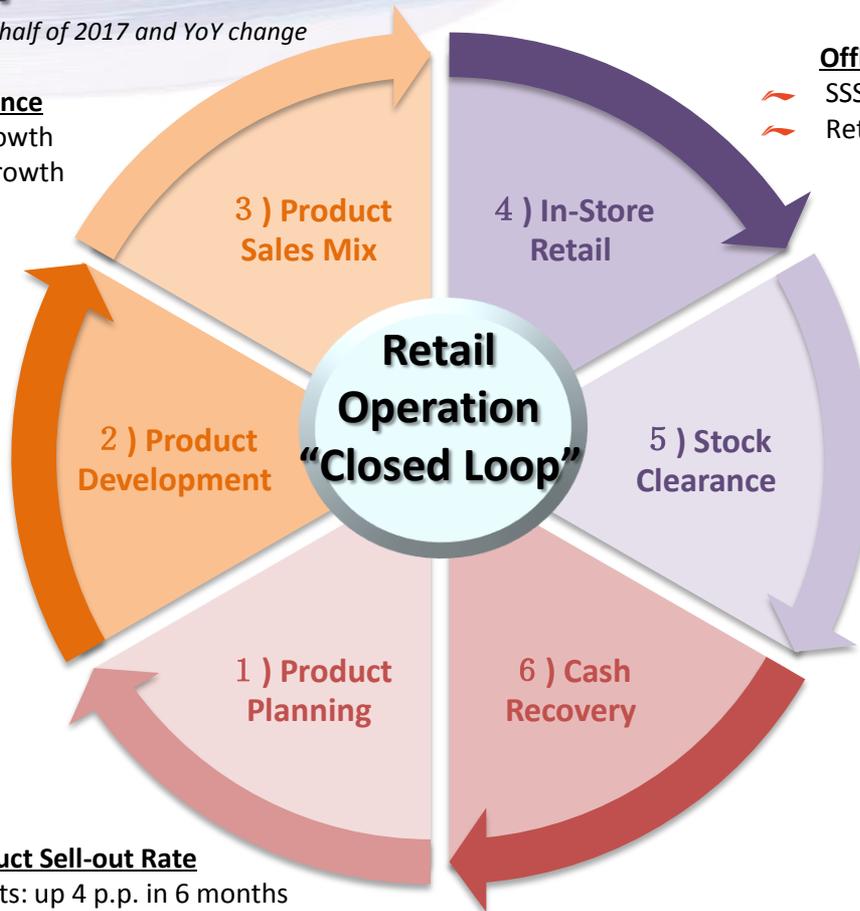
- ~ Sell-through: mid single-digit growth
- ~ Sales Volume: low single-digit growth

News Product Performance

- ~ Contribution to total sales: up 2 p.p.
- ~ Sell-through: increase by approximately 9%

New Product Sell-out Rate

- ~ Q1 products: up 4 p.p. in 6 months
- ~ Q2 products: up 5 p.p. in 3 months



Offline Channel Sales Efficiency

- ~ SSSG: low single-digit decline
- ~ Retail Discount: increased 0.7 p.p.

Over 12 months inventory mix

- ~ Channel: declined (improved) 6 p.p.
- ~ Company: declined (improved) 6 p.p.

Operating Cash Flow

- ~ Cashflow from operating activities: RMB589 million net inflow
- ~ Net Cash: increased by RMB828 million
- ~ Trade receivables before provisions: Amount decreased (Improved) by 20%
- ~ Cash conversion cycle: decreased(improved) by 19 days

New Business Progress

DANSKIN 

- The brand positioned itself as a brand of female sports presented in a fashionable manner; Product lines include Dansfit (sports products with fashionable and modern designs), Danslife (the pure fashion series) , Danslux (the high-end fashion series) and Dance (the ballet series)
- Partnered with experienced suppliers in the first half of 2017
- To promote its brand value with marketing activities focused on digital channels
- Planned to open 3 to 5 stores in the fourth quarter of 2017
- The expected negative impact on net profit is approximately RMB35 million for 2017

YOUNG 

- Opened approximately 20 stores in the first half, most of them located in the northern part of China, planned to net addition for 70 store in second half.
- The current distributors from the 3rd party licensee will be taken over on Jan 1, 2018
- Channel development based on market demand, LN YOUNG stores  cover the market of age 3-14; LN KIDS stores  focus on the market of 3-6.
- Developed retail business operation model based on products and store profitability
- The trade fair of LI-NING YOUNG for the first quarter of 2018 was held, with improvement in product design, style and materials
- The expected negative impact on net profit is approximately RMB30 million for 2017



- Continued to improve and optimize products according to brand positioning in the first half of 2017
- Channel expansion has been focused on established shopping malls, consistent to our strategy
- As of 30 June 2017, 8 stores were opened in cities including Beijing, Shanghai, Hefei, Dalian, Qingdao and Nanjing.
- The expected negative impact on net profit is approximately RMB25 million for 2017

李宁工厂店



Open Forum

Summary of Income Statement

(RMB million)	H1 2017	H1 2016	Better/(Worse)
	Period ended 30 June		
Revenue	3,996	3,596	11%
Gross Profit	1,904	1,678	14%
Distribution costs	-1,502	-1,355	(11%)
Administrative expenses	-220	-203	(8%)
Other income and other gains – net	20	33	(39%)
Operating Profit	202	153	32%
EBITDA	416	353	18%
Profit Attributable to Equity Holders	189	113	67%
Basic Earnings per share(RMB cents)	7.93	5.16	54%

Profit Margins And Expense Ratios

	H1 2017	H1 2016	Better/(Worse)
	Period ended 30 June		
Gross Profit Margin	47.7%	46.7%	1.0p.p.
Operating Profit Margin	5.0%	4.2%	0.8p.p.
EBITDA Margin*	10.4%	9.8%	0.6p.p.
Margin of Profit Attributable to Equity Holders	4.7%	3.2%	1.5p.p.
R&D Expenses(as % of revenue)	1.4%	1.6%	0.2p.p.
A&P Expenses(as % of revenue)	11.3%	12.1%	0.8p.p.
Staff Costs(as % of revenue)	10.7%	9.8%	(0.9p.p.)

* Adjusted for the contribution from Double Happiness in 2016(Recorded as discontinued operations in 2016, and share of profit using equity method in 2017) for comparison

Key Operational Indicators

	H1 2017	H1 2016	Better/(Worse)
	Period ended 30 June		
Average Inventory Turnover(Days)	85	94	9
Average Trade Receivables Turnover(Days)	56	72	16
Average Trade Payables Turnover(Days)	85	91	(6)
Cash Conversion Cycle(Days)	56	75	19
Return on Equity(ROE)	4.3%	3.5%	0.8p.p.
Return on Asset(ROA)	2.8%	1.7%	1.1p.p.
CAPEX(RMB million)	164	176	7%

Summary of Balance Sheet

(RMB Million)	30 Jun 2017	31 Dec 2016	Better/(Worse)
Cash and Cash Equivalents	2,365	1,954	21%
Borrowings	202	200	(1%)
Convertible Bonds Liabilities	0	568	N.A
Net Cash*	2,163	1,754	23%
Current Liabilities	2,072	2,674	23%
Current Ratio(times)	2.3	1.7	0.6x
Total Liabilities to Total Assets Ratio	31.4%	41.0%	9.6p.p.

*Net Cash = Cash and Cash Equivalents – Borrowings