



LI NING COMPANY LIMITED
(李寧有限公司)



2012 INTERIM RESULTS

August 2012

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AGENDA

- Financial Highlights
- Business Review
- Operational Review & Future Strategies
- Open Forum



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FINANCIAL HIGHLIGHTS



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SUMMARY OF INCOME STATEMENT



	1H2012	1H2011	Change
For the six months ended 30 June			
(RMB million)			
Revenue	3,880.1	4,289.3	-9.5%
Gross Profit	1,715.5	2,029.1	-15.5%
- Distribution costs *	-1,152.9	-1,323.9	-12.9%
- Administrative expenses	-503.9	-336.6	49.7%
- Other income and other gains – net**	125.0	73.6	69.8%
Operating Profit ***	183.6	442.3	-58.5%
Profit Attributable to Equity Holders	44.3	293.7	-84.9%
Earnings per share (RMB cents)	4.21	27.94	-84.9%
Interim dividend (RMB cents)	-	11.13	-

*The increase in administrative expenses in 1H2012 was mainly attributed by the extraordinary expenses that included the impairment provision for Lotto brand's license adjustment (around 128 million RMB), and expenses from organisational restructuring, as well as provision for impairment charge of trade receivables.

**The other income gains increased vs. 1H2011 was mainly due to the "Gain on derecognition of intangible assets and license fees payable relating to revision of the license agreement of Lotto brand" (around 68.3 million RMB).

*** Even the gross profit dropped and administrative expenses increased, the Group maintained a stable overall expenditure through effective management in distribution costs. In the future, the Group will continue to improve operational efficiency.

PROFIT MARGINS AND EXPENSE RATIOS



	1H2012	1H2011	Change
For the six months ended 30 June			
Gross Profit Margin	44.2%	47.3%	-3.1p.p.
Operating Profit Margin	4.7%	10.3%	-5.6p.p.
Margin of Profit Attributable to Equity Holders	1.1%	6.8%	-5.7p.p.
R&D Expenses (as % of revenue)	2.4%	2.6%	-0.2p.p.
A&P Expenses (as % of revenue)	13.0%	15.9%	-2.9p.p.
Staff Costs (as % of revenue)	9.6%	8.7%	0.9p.p.

KEY OPERATIONAL INDICATORS



	1H2012	1H2011	Change
For the six months ended 30 June			
Inventory Turnover (Days)	95	72	23
Average Trade Receivables Turnover (Days)	108	63	45
Average Trade Payables Turnover (Days)	112	91	21
Cash Conversion Cycle (Days)	91	44	47
Return on Equity (ROE) (half-yearly)	1.2%	8.6%	-7.4p.p.
Return on Asset (ROA) (half-yearly)	0.6%	4.4%	-3.8p.p.
CAPEX* (RMB million)	125.0	150.7	-17.0%

*Excluding the acquisition expenditures

SUMMARY OF BALANCE SHEET

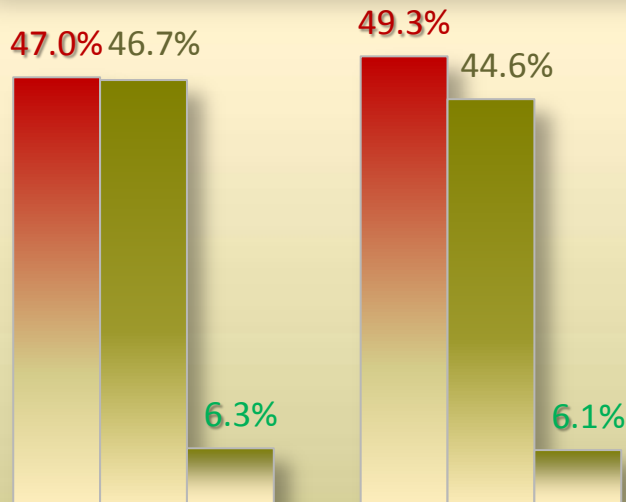


	2012-6-30	2012-12-31	Change
(RMB Million)			
Cash and Cash Equivalents	1,326.9	1,196.5	10.9%
Bank Borrowings	1,024.0	838.1	22.2%
Convertible Bonds Liabilities	653.6	-	-
Net Cash*	-350.7	358.4	-197.9%
Current Liabilities	2,814.5	3,063.1	-8.1%
Current Ratio (times)	1.92	1.56	0.36
Total Liabilities to Total Assets Ratio	49.4%	50.0%	-0.6p.p.

* Net Cash = Cash and Cash Equivalents – Bank Borrowings– Convertible Bonds Liabilities

LI-NING BRAND REVENUE BREAKDOWN BY PRODUCT CATEGORY

LI-NING Brand Revenue Breakdown
by Product Category

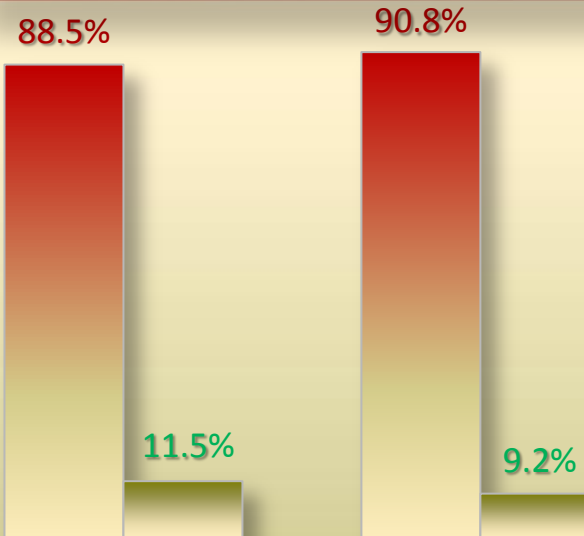


- LI-NING brand apparel
- LI-NING brand footwear
- LI-NING brand accessories / equipment

1H2012

1H2011

Revenue from LI-NING Brand
to the Group Total

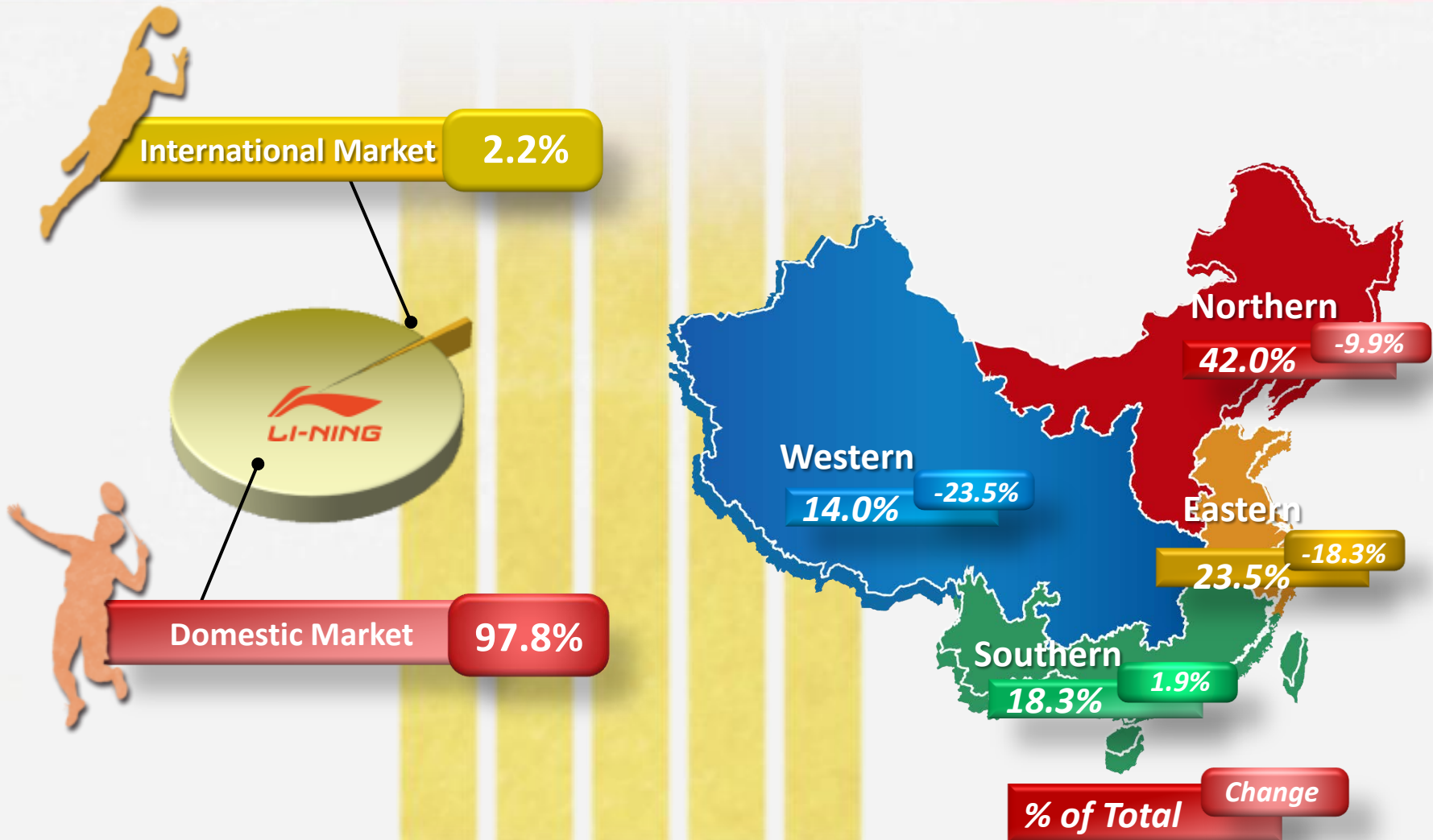


- Revenue from LI-NING brand
- Revenue from other brands

1H2012

1H2011

LI-NING BRAND REVENUE BREAKDOWN BY GEOGRAPHY



The Group streamlined the regional distribution layout of its sales channels by conducting adjustment to the organisation structure and geographical delineation of its sales regions for LI-NING brand with a **newly-added Western region**, so as to enhance regional management, regional retail performance and customer management capability.



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BUSINESS REVIEW



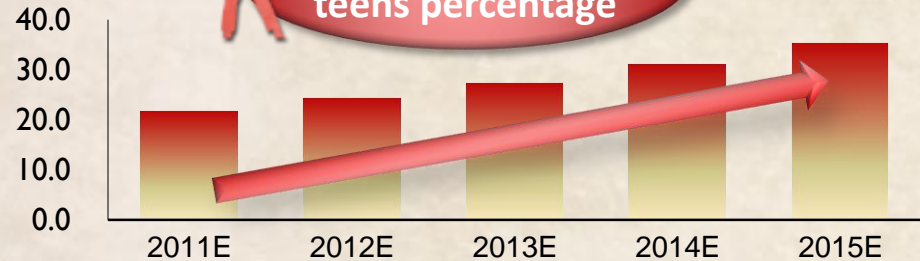
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INDUSTRY CHALLENGES AND GROWTH DRIVERS

Near Term Challenges

Competition, over-expansion, excess channel inventory, cost pressure and wholesale model

CAGR: Low to mid teens percentage



Long-term drivers

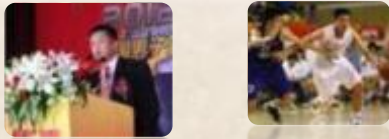
- Urbanization → Urbanization continues to move 1~2% rural population to urban area annually
- Purchase frequency → Consumers continues to purchase more as disposable spending and sophistication (different category for different sports/occasion)
- Trade up → Trade up across brands (to premium) and within brands (to better design/technology/function) will benefit player with stronger brand and product in the long run
- Inflation → Despite recent deep discount due to market correction, inflation will continue to drive price increases

Long term industry potential

IMPLEMENT BRAND ADVERTISING AND MARKETING FOCUSING ON CORE SPORTS CATEGORIES

Basketball

- Enormous market capacity
- Maintain a faster pace of growth
- The most popular mainstream sports event in China
- Influential among teenage consumption group



- Sponsored "Chinese Basketball Association" (CBA)
- Sponsored "National Basketball League" (NBL)
- "Turning Point 001 and Year of the Dragon Special Edition" Promotion Campaign
- Spanish National Basketball Team
- Argentina National Basketball team



Track and Field / Running

- Highlight professional nature by participating high-level events
- Grassroot advertising and marketing campaigns
- Develop running culture and a professional image in China



- "IAAF Diamond League"
- "Beijing International Running Festival"
- "LI-NING China 10K Road Racing League"
- Various grassroots running advertising and promotion events, "Mini FunRun" and "LI-NING iRUN" Club
- "Run Off Pressure and Take a Breath" 9th Generation Ultralight Running Shoes Launch

Badminton

- Integration promotions via multi-brands, multi-channels and multi-platforms
- Strengthen the brand's association with badminton sector



- "2012 Thomas Cup and Uber Cup"
- "2012 Singapore Open"

REMARKABLE ACHIEVEMENT IN LONDON 2012 OLYMPIC GAMES



- Torch Relay in Athens
- “Witness the Change, the Dragon Dazzles London” Press Conference for Sponsorship of Five National Gold Medal Teams’ Olympic Sports Gear
- The Group sponsored five Chinese National gold medal teams and top-notch overseas athletes and teams to shine in London 2012 Olympic Games
 - Five National gold medal teams garnered 22 gold medals, contributing to close to 60% of China Olympics Delegate Teams’ total gold medals
 - Badminton team and Table Tennis team swept all the Olympic gold medals of the respective categories for the first time
 - Lin Dan successfully defended his championship in men’s badminton single
 - Christian Taylor, triple jump athlete from the USA, won gold medal
 - Spanish National Basketball Team won silver medal
 - Yelena Isinbayeva, world’s no. 1 in pole vault, won bronze medal



CONTINUE TO ENHANCE PRODUCT COMPETITIVENESS LI-NING COMPANY LIMITED (李宁有限公司)



Support elite athletes with its top-notch gear in achieving outstanding performances

Lin Dan

Christian Taylor

Yelena Isinbaeva

Asafa Powell

Newly launched footwear products

Ultralight 9th Generation

LI-NING ARC Running Shoes

LI-NING BOW Running Shoes

Apparel Products

AT Technology Platform

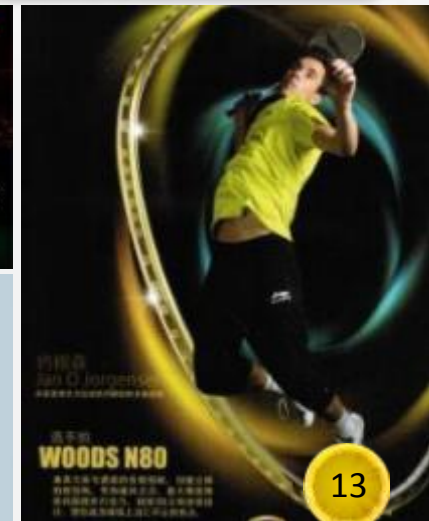
Eco-Circle Material

Ultralight Sport Coat

Badminton Racket

“3D Breaking-free” Platform

“Air Stream System” Platform



OTHER BRANDS



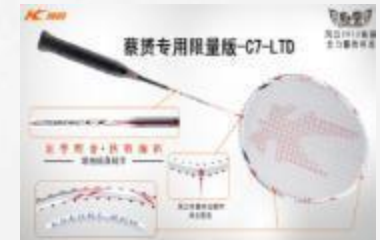
- Provided unique on-site equipment in the London 2012 Olympic Games for both table tennis and badminton events
- Reinforce its competitive edge in Table Tennis and maintain collaborative relationships with top-notch table tennis athletes and clubs
- Strengthen product research and development



- Business remained stable with on-going growth in retail sales
- Achieved higher brand reputation and recognition among consumers



- Continue to comprehensively enhance Kason's brand positioning, product structure, research and development and sales channel
- Grew rapidly in product sales



- Enhance retail management
- Amended the license agreement to lower the finance cost





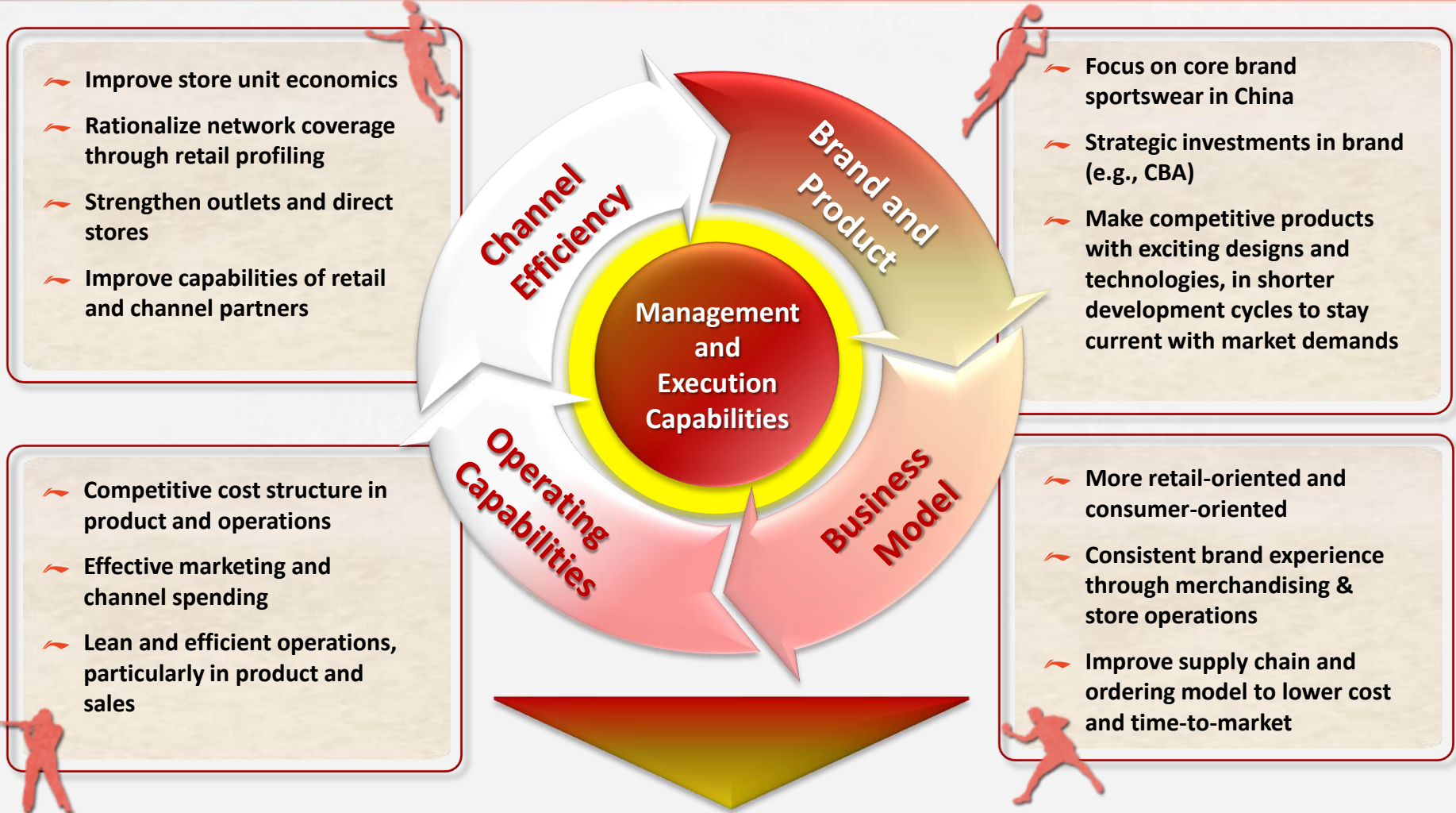
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OPERATIONAL REVIEW & FUTURE STRATEGIES



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BUILDING CAPABILITIES FOR THE FUTURE



Vision: Solidify LI-NING as the leading brand in Chinese sportswear industry with world-class branding & retail capabilities

THREE STAGE TRANSFORMATION BLUEPRINT

Now – 12 months

Focus on sell through and clearance of channel inventory

Improve cost structure in product and operations

Strengthen organization and execution capabilities

Improve channel productivity, profitability, and perfo

Narrow focus to core products and domestic market

Invest in brand and improve marketing effectiveness

Ongoing initiatives

2013 to 2014

Improve supply chain, go-to-market, and merchandising model

Provide more exciting products and consumer experience to solidify leading brand position in China sportswear market

Already in pilot phase

2 to 4 years

Business model transformation to achieve: 1) better profit structure for Li Ning and channels; 2) close to market demand in terms of product and consumers' brand experience; 3) Virtuous cycles of higher retail productivity and return on cash and investment

Under development

PRESSING AHEAD WITH DISTRIBUTION CHANNEL



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REFORMS

Progress in 1H2012

- Continued pressing ahead retail inventory clearance: Increase the proportion of retail sales in channel clearance
- Strengthen profitability management of retail stores: Streamline the no. of stores and control the cost and efficiency of newly opened stores
- Enhance sub-distribution channels management: Announced a new sub-distribution policy for 2013


Reform direction in 2H2012

- Continue to construct clearance channels: Step up in the construction of high-efficiency factory outlets to improve their inventory clearance capabilities.
- Persist in the expansion plan with store profitability as a priority and emphasize performance on same store sales growth
- Expand Sixth-Generation stores: Polish the sixth-generation stores image and boost up operational efficiency of retail stores systematically
- Had almost completed the annual target in streamlining stores in 1H2012, will slow down store closure in 2H2012

LI-NING Brand Stores Number


	Total Stores	Factory Outlets	Discount Stores	Sixth-Generation Stores
2012-6-30	7,303	271	394	499





➤ Endeavours to establish a demand-driven, flexible and market-responsive supply chain system

- “LI-NING Logistics Centre” in Jingmen has commenced trial operations
- Proactively explored and attempted overseas OEM suppliers
- Improve logistics system



➤ Social responsibility and environmental protection management

- Put greater effort in educating suppliers in fulfilling social responsibilities in the supply chain as well as management of chemicals
- Continue to promote and conduct “The Joint Roadmap towards Zero Discharge of Hazardous”

STRONG LEADERSHIP TO DRIVE TRANSFORMATION

Structure of the Board of Directors

4 executive directors

3 non-executive
directors

4 independent non-
executive directors

Over 1/3 of all directors are independent non-executive directors
Demonstrate high level of corporate governance

Introduce outstanding talents to build a strong management team

Chief Supply Chain Officer (Appointed)

- Over 19 years of industry experience
- Worked in a leading MNC with excellent supply chain management

Chief Sales Officer (Appointed)

- Rich industry experience
- Worked in a leading sporting goods MNC

Chief Product Officer (Incoming)

- Target candidate chosen
- Worked in a leading sporting goods MNC

Design General Manager (Incoming)

- Target candidate chosen
- Worked in a leading sporting goods MNC

Strengthen the Board and enhance the management's execution capability Work closely and proactively drive reforms

ENHANCED EFFORTS ON BUSINESS MANAGEMENT IN RECENT TWO MONTHS

Enhance internal communication and operational capability

- Executive Chairman and Executive Vice Chairman participate operational meeting as well as to hold regular business review, to fully grasp the progress of reform and to provide suitable guidance
- Focus on the management at the retail level

Adjust supply chain and trade fair model

- Make supply chain management more flexible
- Start to adjust the trade fair model

Increase management on operational and marketing events

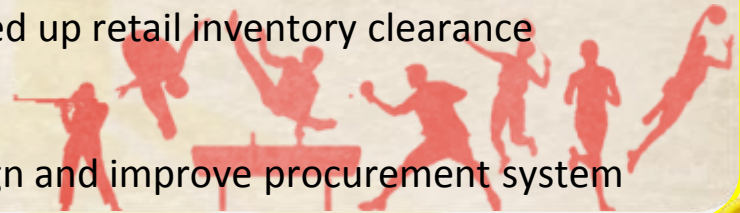
- Strengthen coordination and efficiency in operational and marketing events to effectively control costs
- Dedicate effort in the marketing campaign management during the Olympic Games to increase exposure and enhance brand image

Press ahead on distribution channel reform

- Increase efforts on sales promotion, speed up retail inventory clearance

Further boost up product competitiveness

- Continuous optimization in product design and improve procurement system



VISION, MISSION AND CORE VALUES



Vision

A world's leading brand in the sporting goods industry



Mission

Through sports, we inspire people the desire and power to make breakthrough



Core Values

Live for Dream

- ~ Integrity and commitment
- ~ "We" Culture
- ~ Achieving excellence
- ~ Consumer oriented
- ~ Breakthrough



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OPEN FORUM

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- This presentation incorporates information contained in the annual results announcement (the “Results Announcement”) for the period ended 30 June 2012 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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