



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)

INVESTOR PRESENTATION

17 December 2012





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Speaker:
Mr. LI Ning
Founder,
Executive Chairman and
Executive Director





◆ **Mr. Li Ning, Founder & Executive Chairman**

- *Announcement Overview*
- *Strategy Overview*
- *Update on Marketing Initiatives*

◆ **Mr. Jin-Goon Kim, Executive Vice Chairman & Executive Director**

- *Background*
- *Transformation Plan Update*
- *Channel Revival Plan*

◆ **Q&A**



Announcement Overview

- ◆ Background on recent challenges with the sportswear sector and Li Ning Company
- ◆ Update on progress for key initiatives in Transformation Plan
- ◆ Board approves “Channel Revival Plan” to restore healthy profitability to channels, following successful pilot programs with top distributors
- ◆ Substantial loss expected for full year 2012, primarily due to one-time costs associated with the Transformation Plan, including the Channel Revival Plan



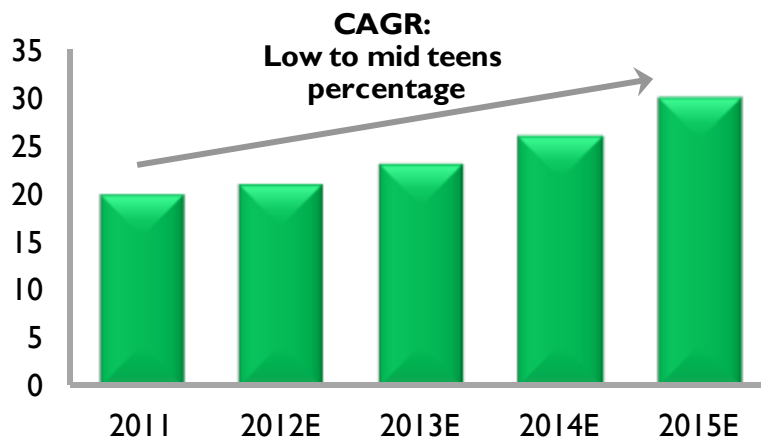
The road to long-term and sustainable growth



Long-term Outlook

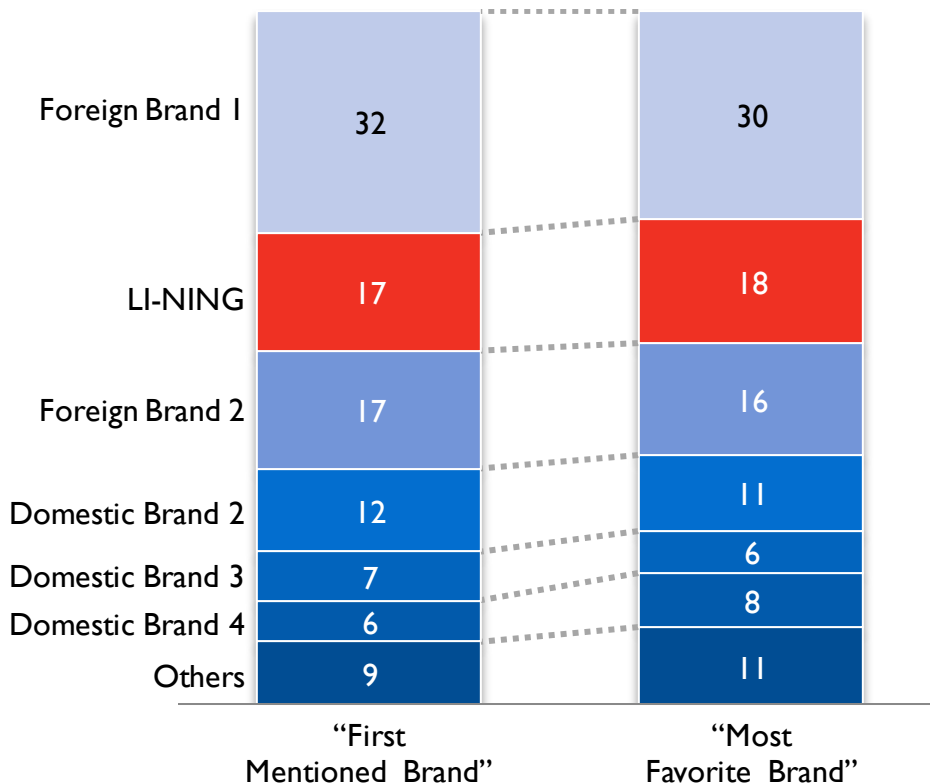
Long-term Market Drivers

- ◆ **Urbanization** - continues to move 1~2% rural population to urban area annually
- ◆ **Purchase** - consumers continues to purchase more as disposable spending and sophistication
- ◆ **Trade up** – across brands (to premium) and within brands (to better design/technology/function) will benefit players with stronger brand and products
- ◆ **Inflation** – inflation will continue to drive long term price increases



Long-term industry potential despite near term challenges

LI-NING - Long heritage and close association with Chinese sports

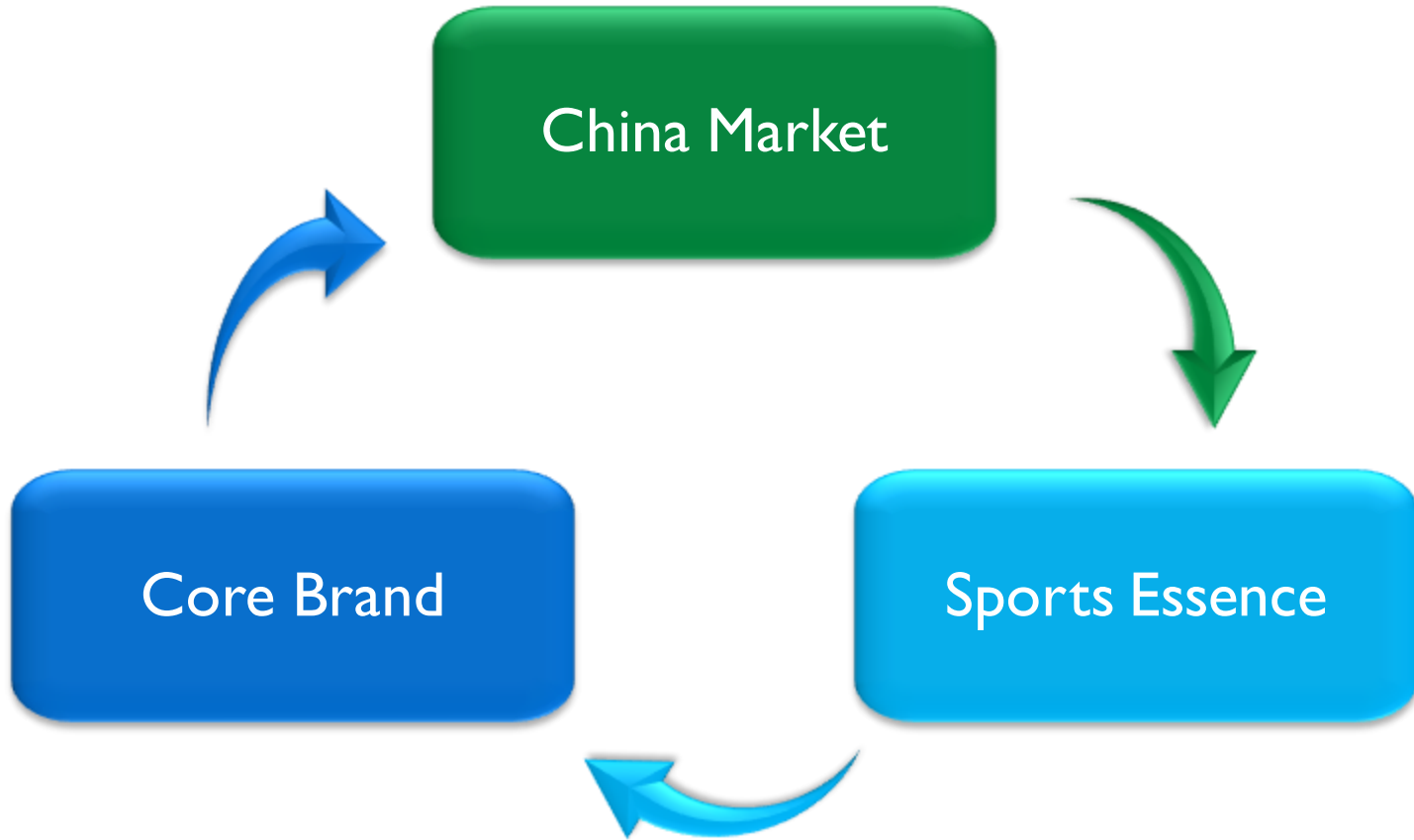


Source: 3rd party consumer research

Well positioned to benefit as no. 1 domestic sportswear brand & no. 2 overall



Our Key Focuses

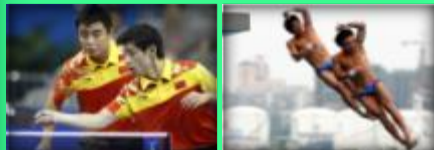




Continued Focus on Leadership in Key Sports

National Teams

- ◆ Five gold medal teams, representing over 1/2 of gold medals that China won at the last Olympics



Basketball

- ◆ CBA:
 - Main professional basketball league in China
 - Largest and most popular sports league in China
- ◆ Dwyane Wade:
 - One of the top NBA players



Track & Field / Running

- ◆ A key driving force of China's running culture through sponsorship of large-scale marathons and grassroots events
- ◆ Industry leader with technologically advanced functional products (e.g. LI-NING Ultralight, LI-NING Arc, LI-NING Bow)



Badminton

- ◆ Leading sponsorships including national team and players (e.g. Lin Dan) in China
- ◆ Integrated promotions via multi-brands, multi-channels and multi-platforms
- ◆ Strengthen the brand's association with badminton sector



Leading sportswear brand and closest association with Chinese sports



Successful Start of New CBA Season



- ◆ In the few months since the opening of the CBA season, attendance was significantly higher than last year
- ◆ Home games were sold out at Beijing, Guangdong, Shanxi and Xinjiang
- ◆ In the first 3 months, CCTV-5 broadcasted four games each week (audience rating of 0.4 and covering 5.2mm people/minute), and local TV stations broadcasted each game
- ◆ In addition to positive impact on brand, sponsorship also had direct impact on business with significant growth of basketball shoes and apparel sales compared to shoes and apparel overall

Source: Li Ning Company, media, CTR



Successful Launch of Dwayne Wade Sponsorship

Warm-up stage
(10.1-10.9)

Press Conference
(10.10-11.11)

Promotion of LN Basketball
Proposition (11.12-12.31)

10.8
Airport
pickup by fans

Fans participated in the event marketing and used micro-blogs to expand the influence



Breakthrough to conventional press conference with distributors, key opinion leaders and Miami Heat all coming to Beijing

10.10
Press
Conference



10.11-10.14
China
exhibition
game

10.22
Launch of limited
edition shoe for China
exhibition game

The launch of the global limited edition of 60 pairs of shoes have brought in 10,000 direct participants and used the digital marketing platform to cover over 3mm people



11.12
TVC and OOH



Fans were attracted to the Wade TVC/OOH which effectively communicates LN's basketball proposition through coverage of over 100mm people



Digital media → all media
Influenced 10,382,074 people and 207,607 participated in interaction

Significantly increased awareness of cooperation between LN and Wade in the first month through the above media events



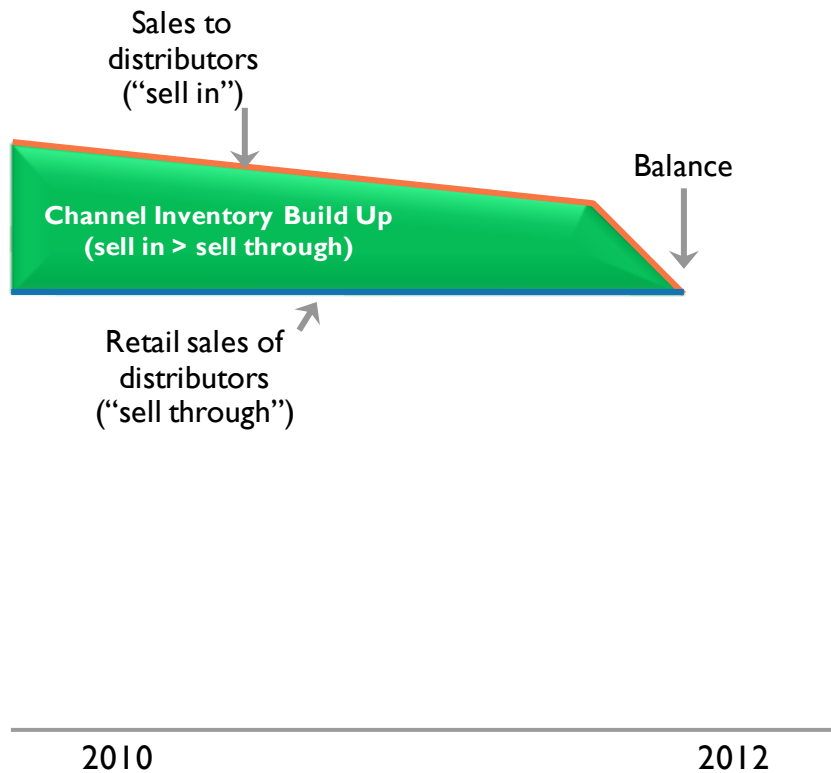
Speaker:
Mr. Jin-Goon KIM
Executive Vice Chairman and
Executive Director





Source of Current Challenges

Sell in vs. Sell Through Illustration



Channel Inventory Illustration



Note: The above charts are of indicative nature and aimed at giving a directional sense on the subject matters. For actual amounts, please refer to the Company's published financial statements.

Wholesale practice and overexpansion...

... leading to build up in channel inventory



Current Challenges in the Channels

Sell In > Sell Through



Current Challenges

Excess
channel
inventory



Higher mix of old
products leading to
heavy discounting



Declining retail
performance



Lower distributor
and sub-distributor
profitability and
cash flows



Current challenges within the channels resulting from the wholesale practice began to spill over into the company in 2011

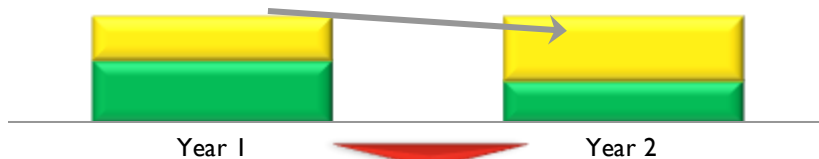


Decline in Retail Profitability

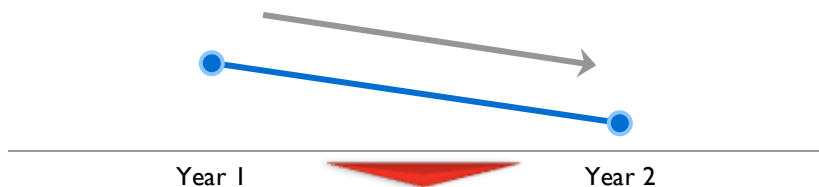
ILLUSTRATIVE

Inventory Mix

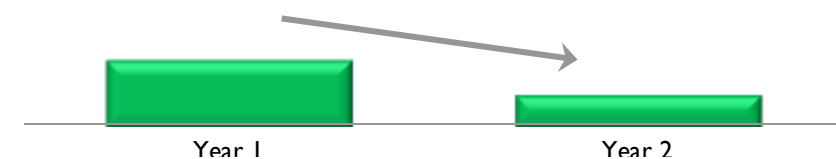
■ % New Products ■ % Old Products



Retail Price as % of Tag Price

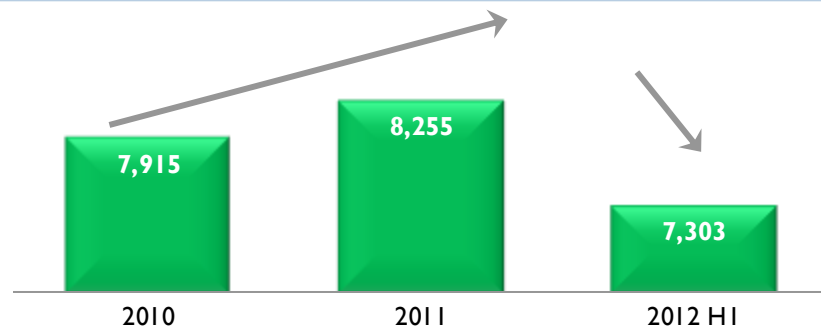


Store Profitability

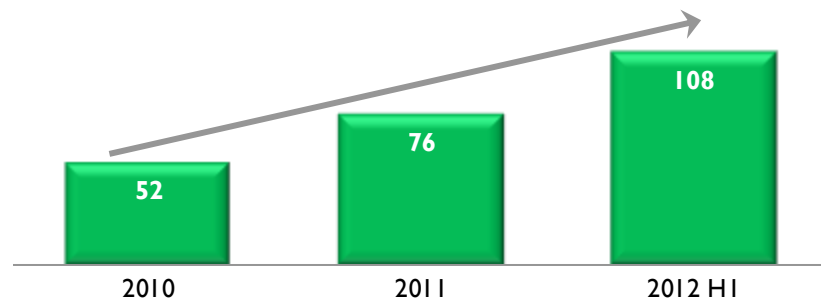


ACTUAL RESULTS

Store Count



Average Trade Receivable Days



Note: The above charts are of indicative nature and aimed at giving a directional sense on the subject matters. For actual amounts, please refer to the Company's published financial statements.

Higher mix of older products leading to more retail discounts, which in turn impacts store profitability...

... leading to store closures and working capital issues for Li Ning Company



Transformation Plan Recap

- ◆ Improve store unit economics
- ◆ Rationalize network coverage through retail profiling
- ◆ Strengthen outlets and direct stores
- ◆ Improve capabilities of retail and channel partners
- ◆ Competitive cost structure in product and operations
- ◆ Effective marketing and channel spending
- ◆ Lean and efficient operations, particularly in product and sales

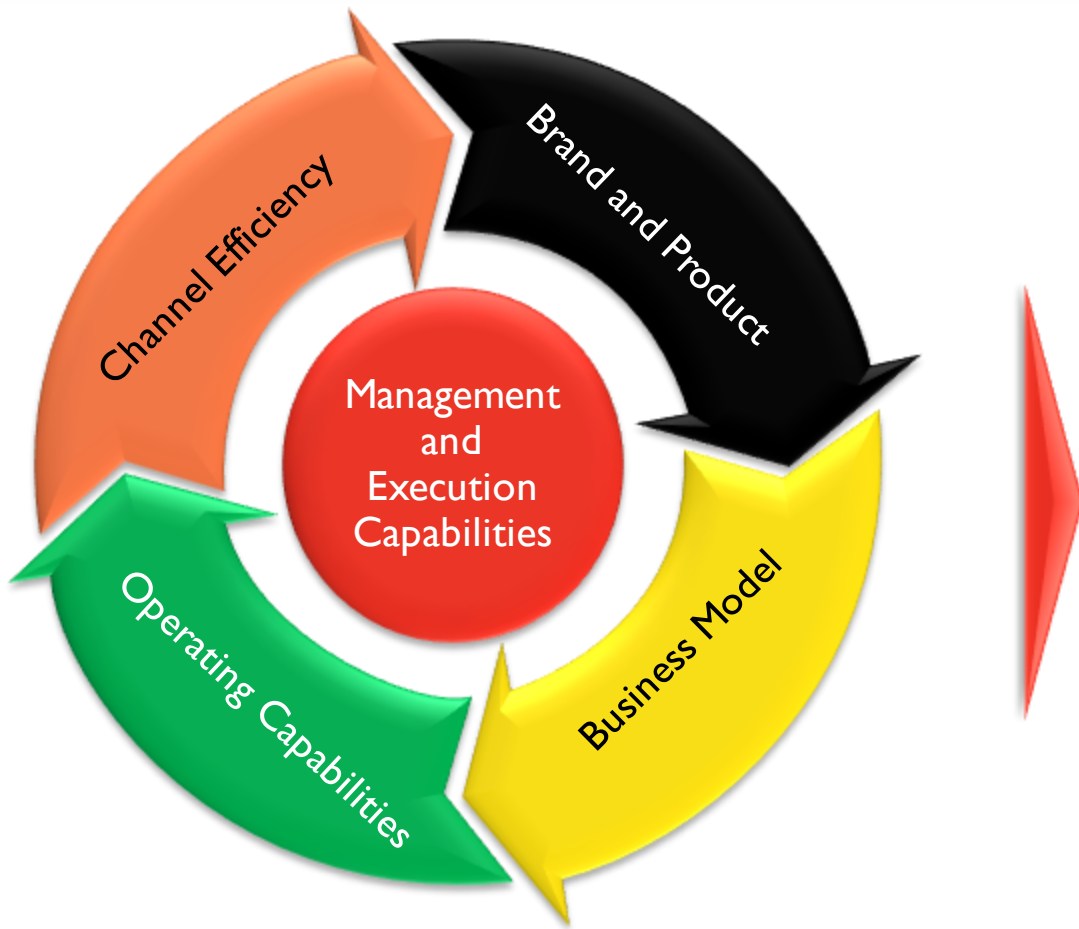


- ◆ Focus on core brand sportswear in China
- ◆ Strategic investments in brand (e.g., CBA)
- ◆ Make competitive products with exciting designs and technologies, in shorter development cycles to stay current with market demands
- ◆ More retail-oriented and consumer-oriented
- ◆ Consistent brand experience through merchandising & store operations
- ◆ Improve supply chain and ordering model to lower cost and time-to-market

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



Transformation Plan Recap (Cont'd)



KEY INITIATIVES

- #1 Management Team
- #2 Distribution Channel
- #3 Branding and Marketing
- #4 Products and Merchandising
- #5 Retail Business Model
- #6 Cost Structure



Progress Update

Near Term

Medium Term

#1

Management Team

- ◆ Appointment of Mr. Jin Goon Kim as Executive Vice Chairman
- ◆ Appointment of Chief Marketing Officer, Chief Product Officer, Chief Designer, interim Chief Sales Officer and Chief Supply Chain Officer
- ◆ Improved internal systems and processes

- ◆ Organizational restructuring and optimization

#2

Distribution Channel

- ◆ Channel Revival Plan
 - Inventory clearance
 - Inventory buy-back
 - Operational and financial support to channel partners
- ◆ Rationalization of store base
- ◆ Optimization of channel policies

- ◆ Continue to build capacity for dedicated clearance channel
- ◆ Continue to streamline distribution network

#3

Branding and Marketing

- ◆ Optimization of sponsorship resources
- ◆ Focus on national teams and 3 key sports (basketball, running, badminton)
- ◆ Marketing of China Basketball Association (CBA) and Dwayne Wade sponsorships

- ◆ Improvement in and integration of consumer positioning, brand positioning, sports category marketing and resources
- ◆ Improvement in commercialization of sponsorship resources



Progress Update (Cont'd)

#4

Products and Merchandising

Near Term

- ◆ SKU rationalization
- ◆ Improved pricing strategy with broader and more targeted coverage of key demographics
- ◆ Introduction of “hero” SKUs

Medium Term

- ◆ Consumer-oriented product planning, design and development
- ◆ Build stronger innovation capabilities

#5

Retail Business Model

- ◆ Adjustments to the trade fair process
- ◆ More flexible supply chain and logistics
- ◆ Store level forecasting and rapid replenishment (pilot stage)

- ◆ Redesign of sales and channel organization and practices
- ◆ Continued build up of retail capabilities in the channel partners
- ◆ Flexible ordering and fast retail capabilities

#6

Cost Structure

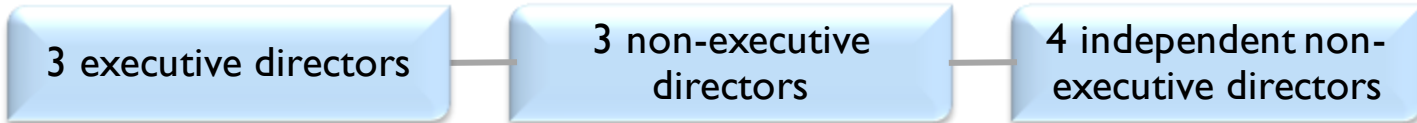
- ◆ COGS reduction
- ◆ SG&A reduction

- ◆ On-going cost optimization efforts



Management Team Status

Structure of the Board of Directors



Introduce outstanding talents to build a strong management team

Chief Supply Chain Officer	Interim Chief Sales Officer	Chief Product Officer	Chief Designer	Chief Marketing Officer
<ul style="list-style-type: none">◆ Over 19 years of industry experience◆ Worked at leading MNC (Dell) with excellent supply chain management	<ul style="list-style-type: none">◆ Rich industry experience◆ Worked in a leading sporting goods MNC (Nike)	<ul style="list-style-type: none">◆ Worked in a leading sporting goods MNC (Adidas, Nike)	<ul style="list-style-type: none">◆ Worked in leading sporting goods MNCs (Nike and Umbro)	<ul style="list-style-type: none">◆ Worked in leading consumer goods MNCs (General Mills, Johnson & Johnson and P&G)

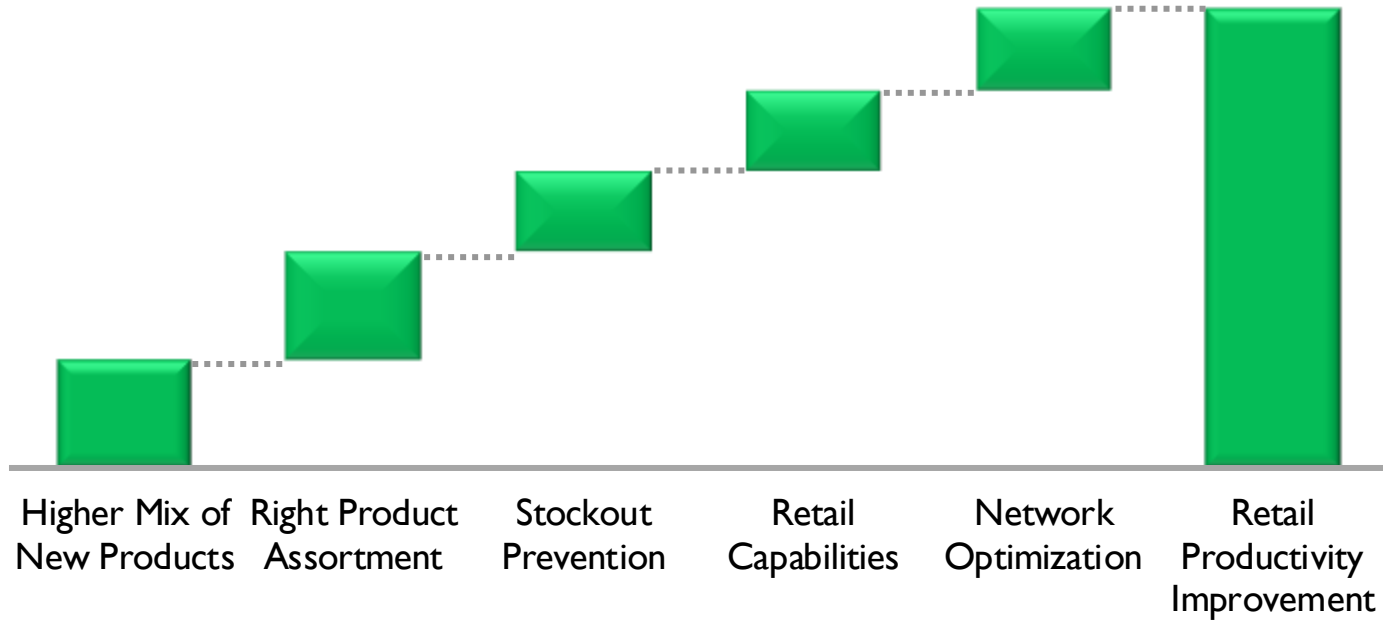


Strengthening of board and enhancement of the management's execution capability



Operational Opportunities and Initiatives

Illustration of Retail Productivity Improvement Levers



Multiple opportunities identified for improving retail productivity

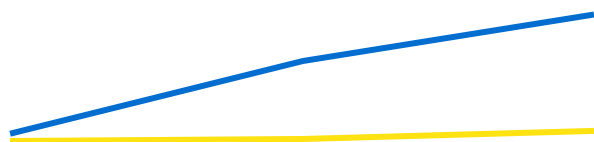


Operational Opportunities and Initiatives: Examples

ILLUSTRATION OF PRODUCT ASSORTMENT PILOTS

Entry Level Sneaker Pilot (Sell Out %)

— Pilot — All Sneakers



Launch Today

Hero SKU Pilot (Sell Out %)

— Pilot — All SKUs



Launch Today

Note: The above charts are of indicative nature and aimed at giving a directional sense on the subject matters. For actual amounts, please refer to the Company's published financial statements.



More price point coverage for different demographics and identification of "hero" SKUs

NETWORK OPTIMIZATION

Size and number of stores

Location and density

Channel policies

Order fulfillment model

Retail operations



Improvement in network structure and operations



Channel Revival Plan

- ◆ **Estimated costs of RMB 1.4-1.8 billion (mostly non-cash and in the form of accounts receivables offsets) for the various channel initiatives**
- ◆ **Expected to restore the healthy profitability of channel partners**

Channel Revival Plan Actions

- ◆ Inventory clearance
- ◆ Inventory buy-back
- ◆ Construction of dedicated clearance channels
- ◆ Merchandising initiatives
- ◆ Network rationalization
- ◆ Other operational support
- ◆ Adjustments in channel policies
- ◆ Accounts receivables restructuring

Current Status

- ◆ Test pilots commenced with select distributors
- ◆ Negotiations with top distributors representing majority of business for full roll out

Target Results

- ◆ Inventory and mix of new products back to healthy levels
- ◆ Strengthened financial position of distributors
- ◆ Continued monitoring and assessment of distributors
- ◆ Closer cooperation and alignment with distributors
- ◆ Ensure best outcome for all stakeholders
- ◆ Strengthens Li Ning's leadership position and creates platform for long term sustainable growth



Q&A

