



1996  
ANNUAL  
REPORT

## FINANCIAL HIGHLIGHTS

(In thousands, except per share data and financial ratios)

	1996	1995	% CHANGE
<b>OPERATING RESULTS MAY 97</b>			
Revenues	\$4,276,800	\$4,760,834	10.9%
Gross margin	2,583,879	1,893,354	35.2%
Gross margin %	39.6%	39.8%	
Net income	553,198	399,664	38.4%
Net income per common share	\$ 3.77	2.72	38.6%
<b>FINANCIAL RATIOS</b>			
Return on equity	33.2%	21.7%	16.1%
Stock price at May 31	180 1/4	39 1/4	154.5%



*It's about*  
**SPORTS**

## TO THE SHAREHOLDERS

By standards of measurement we normally use in this space, fiscal year 1996 was a fantastic year. We set an all-time record for sales and earnings. One year ago I would not have guaranteed such performance, though I can say today that I am not surprised. And, to its credit, Wall Street saw fit to increase our multiple.

Yet no sooner had the great year ended than we were hit by a series of blasts from the media about our practices overseas.

So I sat with a dilemma: Use this space to answer our critics' misrepresentations, which would leave little room for anything else, or try to give our owners the bigger picture of the company.

I decided to do the latter with, like Roger Maris' home run record, an asterisk. We answer the overseas questions in a supplement that is included in the annual report mailing.

The multiple increase was a bit controversial in itself. The central question was: Does a fashion company, no matter how strong the brand, deserve such a multiple?

The problem with the debate is that the answer doesn't matter. It's the question that is wrong.

We are not a fashion company. We're a sports company. There are similarities: sales and earnings can fluctuate a lot in any one year; athletes, like most of us, care about what they look like. Far more important is the difference in market momentum between sports and fashion. Fashion lives and dies on the whims of editorialists, critics who would rather watch than live.

Sports, however, has become the culture of the U.S., the language of the world. Sports pushes aside humdrum routine and promises a far brighter future than we would have without it. And a ton of opportunity for those of us in its wake.

Take the month of June. It was very complicated. Not only did we have a Board Meeting, but also three regional sales meetings, all of which had to happen amidst the NBA Playoffs, the French Open, Wimbledon, the U.S. Open in golf, the U.S. Olympic Track & Field Trials, the Tour de France, and the European Soccer Championships.

That's a tough schedule. Then again no one said it was going to be easy. And no one who lived it would ever confuse it with fashion.

Our performance in 1996 was, simply enough, growth across the board and around the world. It is a little hard to know what to emphasize... first.

Can you spell a-p-p-a-r-e-l?

Our apparel business reminds me of something Shirley MacLaine said of her stardom, "After 18 years of hard work, I'm an over-night sensation."

U.S. apparel sales were up 99% for the year. OK, good. But nothing compared to Futures Orders for the following six months. We did it by tying our apparel and shoe designs together and getting our apparel products on the playing fields of the world. As a concept it's simple; it's in the execution where we distinguish ourselves.

In that area special praise has to go to Stephen Gomez, Matt Wolff, Bruce Kaplan, Lester Ervin, along with a couple hundred of their teammates. Together they have made NIKE a significant player in global sports apparel, and pushed us further down the road, past "shoe company" and beyond "shoes and clothes" into the realm of a total brand.

This year we were also asked, "Why is NIKE signing a race car driver?"

They were asking, of course, about world champion Michael Schumacher. Quite simply he represents our progress in making the NIKE brand relevant across sports and across the planet. Five years ago it would have taken a move from within the company headquarters to strike such a deal, if it could have been done at all. But this time it was a decision made in country. Only Juergen Schiebrowski and Dave Larson in Frankfurt knew everything required to make the call: that Schumacher was extremely relevant to their market, that he was consistent with the face of the brand, and that he had the training regimen and workout ethic of a boxing gymmat.

It required a lot of teamwork in Frankfurt, bringing together the local understanding of Schiebrowski, the German country manager, and Larson, his American-born marketing manager. All that remained was confidence in that team by headquarters to make it happen.

It is a great example of what we are trying to do: Make decisions on the ground in faraway places, decisions that are profit driven, culturally significant and brand enhancing. Extrapolate this process around the world and you get a 36% increase in international sales for the year. By most standards, that's not bad.

In Japan sales were up more than 40%, and we expect a greater increase in fiscal year 1997.

Ran Nelson, Hidekazu Gotoh and Takamori Inoue have done a remarkable job of igniting NIKE's performance in the Japanese market. And, like Germany, after years of working at it, we are beginning to tie the intricacies of the local market into the sports heros of the country and then across the ocean into NIKE's headquarters. Again, none of this process is easy, but when it starts to click as it did this year, it speaks very well for the future.

Also in that part of the world is a unique country called the People's Republic of China. Sales there were \$13 million, up from \$7.9 million the year before. It doesn't mean much in the harsh voice of arithmetic, but it screams with the kind of potential NIKE is especially good at developing. China is perhaps the most complicated of all the markets. But we are making progress, one step at a time. Just like we used to say about Japan. And Germany: There are a lot of unusual forces that exist in China that do not exist in other markets. But at the end of that enormous maze are two billion feet.

Which leads me around to the most international of all the athletic competitions, the Olympic Games.

These Games drew a lot of criticism, starting with the commercialism. The critics are those same people who decry the fact that we spend money during the holidays. Fine. But while critics sit on the sidelines and complain, the rest of the world passes by in a celebration of youth and energy.

With the huge increase in worldwide popularity of sports comes commercialization. Without the popularity there is not commercialization. Since sport is now the real language of the world, we all better get used to it.

As long as it doesn't affect the competition itself, my view is that this trend is not harmful. There have been minor adjustments made to the competition: the TV time-out and adjusting start times to play in East Coast prime time are two good examples. But as long as the competition is not significantly impacted by such changes, we all benefit from more sports on TV and more exposure to the art and personalities of our greatest athletes.

NIKE has also taken criticism for not paying \$40 million to the Atlanta Olympic Organizing Committee to be "official." This is a decision of which I think our shareholders would approve.

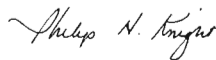
"Guerrilla marketers" is what we've been called. But NIKE promotional contracts have been the main source of income for hundreds, perhaps thousands, of athletes for years. In some cases decades, leading up to the competition. I believe we provide more subsidies to Olympic athletes than any Olympic committee. What are we then supposed to do, advertise those athletes who don't make the Olympic Games?

And I leave you with one more anecdote to show our globalization process is working.

NIKE's Bob Lambie was in New York recently and managed to get a cab driver who did not speak English, which is not all that difficult. Bob made several attempts at making his directions understood, even at small conversation. All without success. Then he asked, "Where's NIKETOWN?"

Clear as if he had just graduated from Miss Brook's speech class, the driver said: "NIKETOWN: 57th and First." The store will open in November, fluent in sports, the international language.

Stay tuned, it's going to be an interesting ride.



Philip H. Knight  
Chairman of the Board  
and Chief Executive Officer

# It's not just a SHOE COMPANY



All Conditions  
Gear drives  
people outside



Complete tools  
for complete  
athletes



The NIKE  
brand enters  
the ice age



Not just a  
brand, a cult  
of physicality



Sales performed  
through present  
tation excellence



Full Saturdays  
are uniformly  
smooth



Love him,  
Hate him,  
Respect him

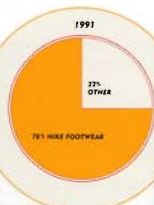


From #19  
to #1 in  
the Q rating

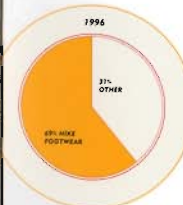


A new power-  
stroke in  
the pool

## GLOBAL NIKE FOOTWEAR/OTHER REVENUES



## GLOBAL APPAREL REVENUES



1996 - \$1,494 (IN MILLIONS)  
up 67%  
1985 - \$897

World Series: 12 of 18 starters are NIKE athletes, 50% of total runs scored by NIKE athletes

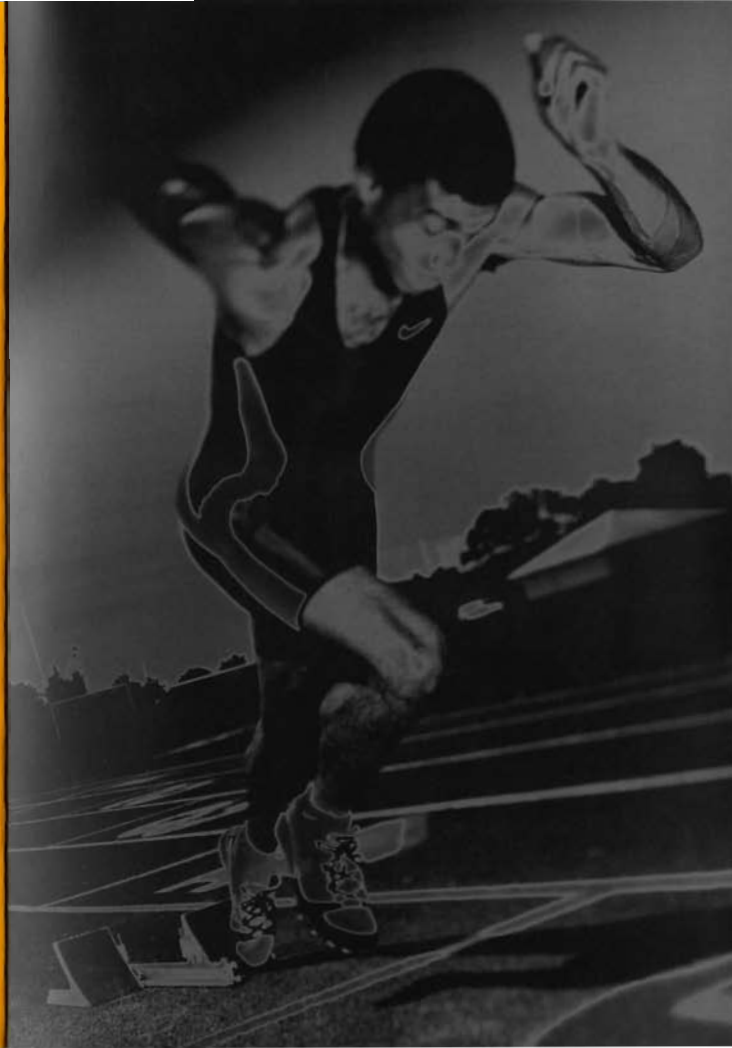
NIKE

NIKE SWOOSHES IN PLAY EVERY WEEKEND  
\$106 COMPLETED PASSES BY NIKE ATHLETES

U.S. Open: 66 matches won by NIKE athletes

U.S. PRO BASKETBALL PLAYER SCORED #1 251 POINTS WEARING NIKE SHOES

*We've got the  
best product,  
and ultimately*  
**THAT'S WHAT WINS**



# GLOBALIZATION

Globalization is a ten-year process, one in which we took a positive step this past year. We've continually progressed to the point where we're understanding the NIKE brand and its relevance to the local market.



**CHILE**  
"Before, for me NIKE felt like any other brand. But now I feel proud to wear it and grateful for what it has done for young football players." A diary note from Sebastian Pardo, a player who traveled to Europe with the Universidad de Chile, the first Latin American team to play in the Nike Premier Cup, European Final.

**UNITED STATES**  
NIKE took the PLAY GAMES to 10 cities across the United States. The multi-faceted, community-based events combined sports, online appearances, clinics and other physical activities with information about the need for kids to get and stay active. It's all part of a national effort by NIKE to get people everywhere to participate in the Lives of America's Youth.

**GERMANY**  
World-ranked Michael Schumacher brings NIKE close to the ground in Germany through tennis, a sport where NIKE has always excelled. Michi Schumacher is a two-time driving champion. It is this respect and attitude which are setting a pure commitment to winning. Each athlete is a local and global force in all who presents the Swedish cultural and global impact.

**ITALY**  
With players like Paolo Maldini and the rest of the Italian National Team already playing in NIKE gear, it was time to secure relationships with the future of soccer in Italy as well. NIKE signed the Italian National Under 21 Team, which promptly went on to win the European Championships for the third consecutive year. Key athletes in key sports in key countries. The rest is up.

**JAPAN**  
Hideo Nomo is a man who loves baseball. He loves hard play the game well. And he plays it with style and success. The perfect NIKE athlete. He's the first Japanese MLB Rookie of the Year. He's the first man to win Rookie of the Year in two countries the year it is Japan. NIKE and Nomo hooked up because both the inside baseball and outside the world.

**KOREA**  
A dream has no name. It lives in the heads of athletes the world over. It lives in the head of Choi Ho Park. As a young player to hold dreams of playing in the major leagues. This year his dream came true as he left the farm and headed for Chavez Ravine to play for the Los Angeles Dodgers. He is the first player from Korea to make it to major league baseball and provides a common thread that weaves sports, countries and NIKE together.

## REGIONAL REVENUES



## REGIONAL APPAREL DESIGN AND MARKETING



One size does not fit all. The growth of NIKE apparel is tied directly to the design and marketing of products appropriate to the sports and cultures of the world.

JAPAN GREW BY 40% TO OVER \$300 MILLION, MAKING IT NIKE'S LARGEST MARKET OUTSIDE THE U.S.

Germany and France both rebounded sharply in FY96, both markets showing revenue growth of more than 20%

FY96 WAS A YEAR OF BALANCED REVENUE GROWTH WITH EACH REGION GROWING BY MORE THAN 30%.



*We have the  
weapons to go  
forward into the*  
**WORLD CUPS**

# SOCCER

## FEDERATIONS

ITALY  
NETHERLANDS  
NIGERIA  
SOUTH AFRICA (U-23)  
SOUTH KOREA  
UNITED STATES  
POLAND

## MAJOR LEAGUE SOCCER SPONSORED TEAMS

DALLAS BURN  
LOS ANGELES GALAXY  
NEW YORK/NEW JERSEY METROSTARS  
SAN JOSE CLASH  
TAMPA BAY MUTINY

## OTHER U.S. TEAMS

COLUMBUS XIGGS, USISL SELECT  
COLUMBUS XIGGS, USISL WOMEN  
DELAWARE WIZARDS, USISL SELECT  
EL PASO PATRIOTS, USISL SELECT  
MINNESOTA THUNDER, USISL SELECT  
NEW YORK FEVER, A-LEAGUE  
PORTLAND PRIDE, CISL

## INTERNATIONAL

FC LINZ, AUSTRIA, DIVISION I  
COLO COLO, CHILE, DIVISION I  
CHINESE ARMY, CHINA, DIVISION I  
BEIJING, CHINA, DIVISION I  
SHANGHAI, CHINA, DIVISION I  
SICHUAN, CHINA, DIVISION I  
CSKA MOSCOW, RUSSIA, CIS IST  
LYNBYR, DENMARK, SUPER LEAGUE  
ARSENAL, ENGLAND, PREMIER  
PARIS ST GERMAIN, FRANCE, FRENCH IST  
TSG MUNICH, GERMANY, BUNDESLIGA I  
OLYMPIQUE MARSEILLE, FRANCE, FRENCH IST  
FC OPAVA, CZECHOSLOVAKIA, DIVISION I  
BVSC, HUNGARY, DIVISION I  
LEGIA WARSAW, POLAND, DIVISION I  
ALANYA, RUSSIA, IST DIVISION  
MARIBOR, SLOVENIA, IST DIVISION  
OLIMPIJA, SLOVENIA, IST DIVISION  
PARTIZAN, BELGRADE, YUGOSLAVIA, IST DIVISION  
GLASGOW RANGERS, SCOTLAND, PREMIER LEAGUE  
BORUSSIA DORTMUND, GERMANY, BUNDESLIGA I  
FSV FRANKFURT (WOMEN), GERMANY  
SG WATTENBERG, GERMANY, BUNDESLIGA 2  
AZKX YOUTH TEAMS, HOLLAND  
PSV EINDHOVEN, HOLLAND, DUTCH IST  
HAPPY VALLEY, HONG KONG, IST DIVISION  
URBAN PUMAS, MEXICO, MEXICAN IST  
SOGMOAL, NORWAY, ELITE DIVISION  
TIONG GARBU, SINGAPORE, A-LEAGUE  
FC NARVA, SLOVENIA  
BOCA JUNIORS, ARGENTINA, IST DIVISION

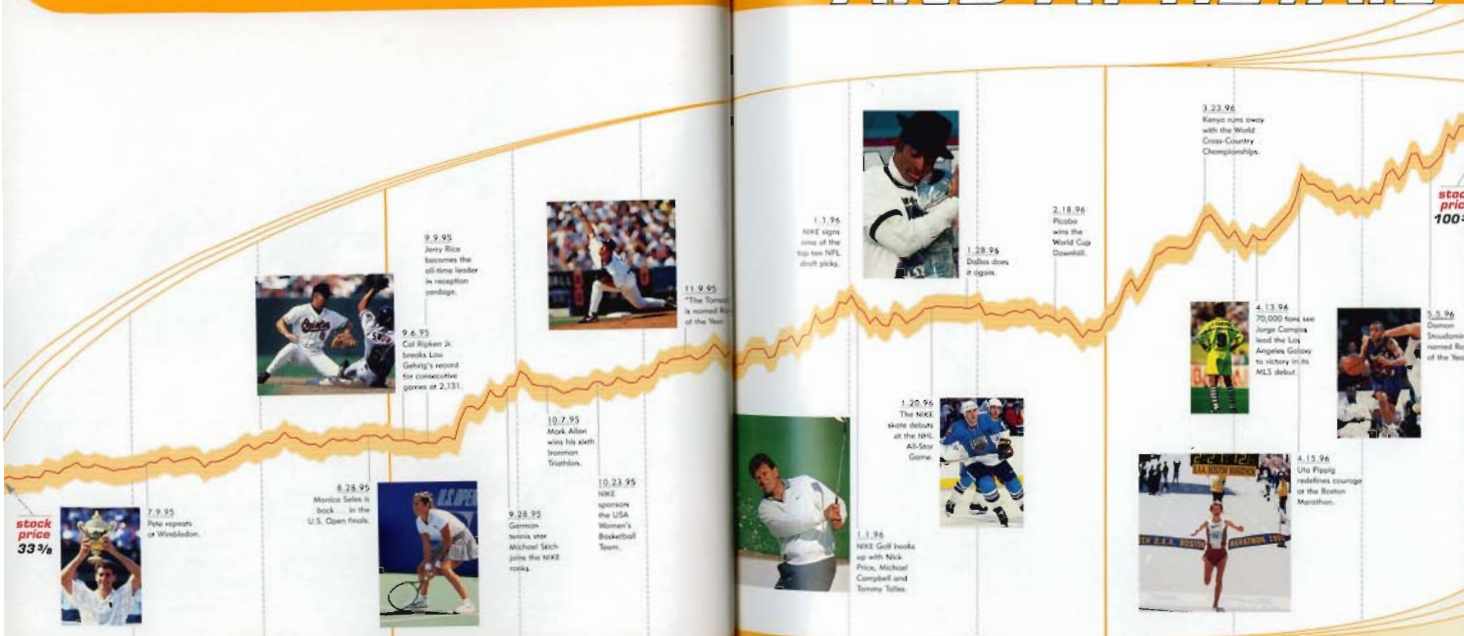
8.1.96  
NIKE becomes  
the uniform  
sponsor for the  
Dutch national  
team.



With 7% of the global soccer shoe market, Nike approaches to growth. It's never too late to seize the opportunity.

AS A WORLD LEADER IN SPORTS, WE WILL ACCEPT NOTHING LESS IN THE WORLD GAME.

# ON THE PERFORMANCE FIELD AND AT RETAIL



## 1ST QUARTER

## 2ND QUARTER

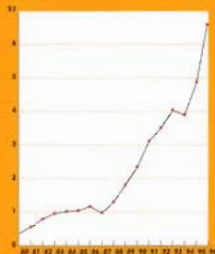
## 3RD QUARTER

## 4TH QUARTER

(In thousands, except per share data)

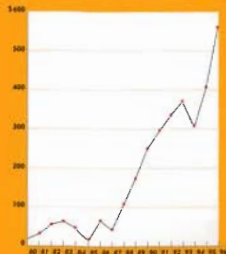
	REVENUES	EARNINGS PER SHARE	FUTURES ORDERS		REVENUES	EARNINGS PER SHARE	FUTURES ORDERS		REVENUES	EARNINGS PER SHARE	FUTURES ORDERS		REVENUES	EARNINGS PER SHARE	FUTURES ORDERS
95	\$1,170,355	\$0.71	+28%	95	\$1,053,746	\$0.58	+3%	95	\$1,412,036	\$0.78	+35%	95	\$1,412,036	\$0.78	+35%
96	1,614,649 (+38%)	1.13 (+59%)	+32%	96	1,443,027 (+37%)	0.80 (+38%)	+3%	96	1,921,338 (+36%)	1.06 (+36%)	+55%	96	1,921,338 (+36%)	1.06 (+36%)	+55%

We're a  
16-year  
**OVERNIGHT  
SENSATION**



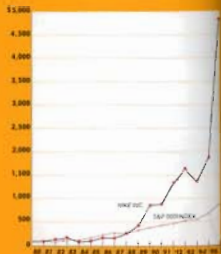
**CONSOLIDATED REVENUES**  
in billions

Since NRE went public, revenues have grown at an annual compounded rate of 22 percent.



**CONSOLIDATED NET INCOME**  
in millions

During the same period, net income grew at an annual compounded rate of 27 percent.



**TOTAL SHAREHOLDER RETURNS**  
in dollars

(Assumes reinvestment of cash dividends)  
\$100 invested in NRE stock on the last day of December 1980 (the month our NRE went public), would have been worth \$4,828 on May 31, 1994. A similar investment in the S&P 500 index would have been worth \$817.

FINANCIALS

## FINANCIAL HISTORY

(in thousands, except per share data and financial ratios)

	1996	1995	1994	1993	1992	1991	1990	1989	1988	
<b>YEAR ENDED MAY 31</b>										
Revenues	\$4,470,825	\$4,760,834	\$3,789,668	\$3,930,984	\$3,405,211	\$3,003,610	\$2,235,244	\$1,710,803	\$1,203,440	
Gross margin	2,543,879	1,895,554	1,488,245	1,543,991	1,316,122	1,153,080	851,072	635,972	400,060	
Gross margin %	39.6%	39.8%	39.3%	39.3%	38.7%	38.4%	38.1%	37.2%	33.2%	
Net income	\$53,190	\$99,664	\$98,794	\$65,016	\$39,218	\$87,044	\$42,958	\$67,047	\$01,495	
Net income per common share	3.77	2.72	1.98	2.37	2.15	1.89	1.61	1.11	0.88	
Average number of common and common equivalent shares	146,804	147,006	150,912	154,126	153,204	152,134	151,336	150,288	150,556	
Cash dividends declared per common share	0.38	0.48	0.40	0.38	0.30	0.26	0.19	0.14	0.10	
Cash flow from operations	\$30,921	\$24,913	\$76,463	\$65,292	\$35,838	\$1,122	\$27,075	\$69,441	\$19,019	
<b>Price range of common stock</b>										
High	104%	40%	37%	45%	38 1/4%	27%	20%	9 1/2%	6 1/4%	
Low	39%	28%	21%	27%	17%	13	9%	5 1/2%	3 1/4%	
<b>AT MAY 31</b>										
Cash and equivalents	\$ 242,117	\$ 216,071	\$ 518,816	\$ 291,284	\$ 260,050	\$ 119,804	\$ 90,449	\$ 85,749	\$ 75,357	
Inventories	931,151	629,742	470,023	593,986	471,202	586,594	309,476	232,924	198,470	
Working capital	1,239,881	938,393	1,208,444	1,165,204	964,291	662,645	561,642	419,599	295,937	
Total assets	3,951,618	3,142,745	2,373,815	2,186,269	1,871,667	1,707,236	1,093,358	824,216	707,901	
Long-term debt	9,584	10,565	12,384	15,033	69,476	29,992	25,941	34,051	30,306	
Redeemable Preferred Stock	300	300	300	300	300	300	300	300	300	
Common shareholders' equity	2,431,400	1,964,689	1,740,949	1,642,819	1,328,488	1,029,582	781,012	558,597	408,567	
Year-end stock price	100%	39%	29%	36%	29	19%	19%	9%	6%	
Market capitalization	\$4,416,792	\$6,335,190	\$4,318,800	\$4,999,273	\$4,379,574	\$2,993,020	\$2,942,679	\$1,417,381	\$89,741	
<b>FINANCIAL RATIOS</b>										
Return on equity	25.2%	21.6%	17.7%	24.5%	27.9%	31.7%	36.3%	34.5%	27.4%	
Return on assets	15.6%	14.5%	13.1%	18.0%	18.4%	20.5%	25.3%	21.8%	16.7%	
Inventory turns	3.0	5.2	4.3	4.5	3.9	4.1	5.2	5.1	5.0	
Current ratio at May 31	1.9	1.8	3.2	3.4	3.3	2.1	3.1	2.9	2.2	
Price/Earnings ratio at May 31	26.4	14.5	14.9	15.3	13.5	10.5	12.2	8.6	9.0	
<b>GEOGRAPHIC REVENUE</b>										
United States	\$3,964,662	\$2,997,864	\$2,432,684	\$2,528,848	\$2,270,880	\$2,141,461	\$1,755,496	\$1,362,148	\$ 900,417	
Europe	1,334,340	980,444	927,269	1,085,683	919,763	664,747	334,275	241,380	233,402	
Asia/Pacific	735,094	515,652	283,421	178,194	75,732	56,238	29,332	32,027	21,058	
Canada, Latin America, and other	416,529	266,874	146,294	138,257	138,836	141,164	116,141	75,248	48,563	
Total Revenues	\$4,470,825	\$4,760,834	\$3,789,668	\$3,930,984	\$3,405,211	\$3,003,610	\$2,235,244	\$1,710,803	\$1,203,440	

All per common share data has been adjusted to reflect the 2-for-1 stock splits paid October 30, 1990 and October 5, 1990. The Company's Class B Common Stock is listed on the New York and Pacific Exchanges and trades under the symbol NRE. At May 31, 1996, there were approximately 77,000 shareholders. Years 1993 and prior have been restated to reflect the implementation of Statement of Financial Accounting Standard No. 109 - Accounting for Income Taxes (see Notes 1 and 6 to the Consolidated Financial Statements).

## SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(in thousands, except per share data)

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	1996	1995	1996	1995	1996	1995	1996	1995
Revenues	\$1,614,649	\$1,170,355	\$1,463,037	\$1,053,746	\$1,691,611	\$1,124,697	\$1,921,339	\$1,412,036
Gross margin	647,127	469,908	547,561	413,715	389,233	446,293	737,936	565,638
Gross margin %	40.1%	40.2%	39.3%	39.3%	39.3%	39.7%	39.6%	40.1%
Net income	164,781	105,987	118,216	84,939	112,749	95,349	136,644	113,389
Net income per common share	1.13	0.71	0.80	0.58	0.78	0.65	1.06	0.78
Dividends declared per common share	0.123	0.10	0.13	0.125	0.15	0.125	0.15	0.125
<b>Price range of common stock</b>								
High	68%	33%	62%	33%	71%	38%	104%	40%
Low	39%	28%	45%	29%	57%	31%	65%	35%
<b>ADJUSTED*</b>								
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	1996	1995	1996	1995	1996	1995	1996	1995
Revenues	\$1,790,020	\$1,253,532	\$1,354,758	\$976,016	\$1,842,039	\$1,207,934	\$1,652,667	\$1,251,132
Gross margin	688,681	506,618	528,629	376,631	628,723	487,386	731,516	534,364
Gross margin %	40.4%	40.4%	39.0%	38.6%	39.7%	40.3%	39.5%	39.5%
Net income	182,098	121,367	97,812	69,331	133,874	119,746	133,727	91,184
Net income per common share	1.25	0.82	0.67	0.47	0.91	0.81	0.91	0.63

\*Quarterly figures have been adjusted to reflect the Company's operations reported on a same-month basis for certain international entities which were previously consolidated using an April 30 year end. See further discussion in Note 1 to the Consolidated Financial Statements.



## MANAGEMENT DISCUSSION AND ANALYSIS

### HIGHLIGHTS

Fiscal year 1996 was a record year for the Company and demonstrated the continuing strength of the NIKE brand on a global scale:

- Net income increased to \$553.2 million, an increase of 38.4% over the previous year's record \$399.7 million.
- Revenues increased 35.9% to a record and industry leading \$6.5 billion. Fourth quarter revenues reached \$1.9 billion, an increase of 36% over the prior year and 19% over the previous record quarter, which was established in the first quarter of this fiscal year.
- Gross margins remained strong at 39.6% of revenues, compared with the previous year's NIKE record of 39.8%.
- Selling and administrative costs decreased 0.8% as a percent of revenues from the previous year.
- The strength of the brand continues with advance and futures orders scheduled for delivery over the next six months up a record 55% over the same period last year.

### RESULTS OF OPERATIONS

Significant growth in worldwide revenues and improved leverage of selling and administrative costs were the primary factors contributing to record earnings for fiscal year 1996 as compared to 1995. Fiscal 1995 also experienced record results, driven primarily by increased revenues, improved gross margins, and a reduced percentage of revenues in selling and administrative costs, compared with fiscal year 1994. Revenues and net income have now increased nine and seven consecutive quarters, respectively. During fiscal 1996, the Company continued to gain market share in United States footwear, in spite of a rather mature market. Industry sources expected only moderate market growth rates of 5 to 7%. U.S. apparel experienced significant revenue growth during a sluggish period for the industry and marketplace. Outside the U.S., the markets in which the Company operates are less mature and offer tremendous potential for growth.\* The Company continues to invest in infrastructure and local marketing to capitalize on these opportunities and balance the strength of the global NIKE brand. Through its aggressive worldwide marketing efforts and global infrastructure spending, the Company is positioning itself to continue to expand markets and gain market share on a worldwide basis.\*

The Company experienced revenue growth in fiscal 1996 in all breakout categories (see chart). The most significant increase in absolute dollars was U.S. footwear, which grew \$463.2 million, or 20.1%, as a result of 19% more pairs shipped and a 0.9% increase in average selling price per pair. Men's basketball, women's fitness and men's training comprise approximately half of the U.S. footwear category in terms of total revenues, and individually increased 7%, 29% and 25%, respectively, over the prior year. The men's running and kids' categories increased significantly over the prior year, improving 28% and 26%, respectively. U.S. apparel increased \$418.6 million, or 9%, experiencing growth in all categories and demonstrating the strength of the NIKE brand. International (non-U.S.) brand revenues also increased significantly, growing \$616.7 million, or 35.9%, as a result of increases of \$438.0 million (35.2%) and \$178.7 million (37.8%) in footwear and apparel, respectively, over the prior year. International revenues were increased 1.2% as a result of the foreign currency translation impact. All NIKE regions outside the U.S. experienced revenue increases greater than 30%. Europe increased 32%, Asia Pacific, 41%, and the Americas, 35%. The most significant increases were in Japan, Italy, United Kingdom, Korea and Canada. Other brands — which include Cole Haan<sup>®</sup>, Tetra Plastics, Inc., Sports Specialties Corp., and Bauer Inc. (formerly Constar Sports Inc.) — increased \$21.3 million, or 68%, over the prior year. Bauer, which was acquired at the end of the Company's third quarter of the prior year, contributed \$173.7 million of the increase.

During fiscal 1995, the Company experienced revenue growth over 1994 in all categories, with the most significant increase in U.S. footwear, which grew \$440.5 million, or 24%, as a result of 22% more pairs shipped at a 2% increase in average selling price per pair. Men's basketball continued to dominate the category with revenues up 12% for the year. Women's fitness grew 26%, women's sport was up 45% and outdoor increased 48% over 1994. International brand revenues also increased significantly, growing \$360 million, or 27%, as a result of a \$246.1 million (25%) increase in footwear revenues and a \$113.9 million (32%) increase in apparel. International revenues were increased 7% as a result of the foreign currency translation impact. While European revenues remained relatively constant, in spite of decreases in France and Germany, the Asia Pacific and Americas regions were up substantially with 81% and 61% increases, respectively. Asia Pacific growth was primarily a result of Japan and Korea, for which NIKE acquired the distribution operations in fiscal 1995, while the Americas region was up primarily as a result of Argentina, also acquired in fiscal 1995, and improved revenues in Canada. U.S. apparel rebounded strongly in 1995, up \$85.4 million (25%), and other brands grew \$85.3 million, primarily due to the acquisition of Bauer.

### The breakdown of revenues follows:

(in thousands)

Year Ended May 31,

	1996	% CHG	1995	% CHG	1994	% CHG
United States footwear	\$2,772,000	20%	12,309,400	24%	\$1,468,900	(5)
United States apparel	843,508	9%	423,900	25	338,500	(2)
Total United States	2,615,000	32	2,733,300	24	2,207,400	(5)
International footwear	1,482,300	35	1,244,300	25	998,200	(5)
International apparel	451,408	38	472,700	32	358,800	2
Total International	2,133,700	38	1,717,000	27	1,357,000	(3)
Other brands	\$21,900	68	310,400	38	225,300	13
Total NIKE	\$6,470,600	38%	\$4,760,900	26%	\$3,789,700	(4)

Gross margins were 39.6% in fiscal 1996 compared to 39.8% in 1995 and 39.3% in 1994. Gross margins remained strong in fiscal 1996 and, similar to 1995, can be attributed to the high demand for NIKE products, internally controlled close-out distribution, a solid inventory position along with strong inventory management, and the Company's innovative advance futures order program. The slight reduction in gross margins compared with 1995 was primarily driven by increased costs of air freight to meet delivery dates on increasing customer orders, and increased footwear product costs not fully recovered through the selling price. These higher expenses were partially offset by improved apparel margins due to significant increases in revenues and a reduction in close-outs as a percentage of total revenues.

Total selling and administrative expenses as a percentage of revenues decreased to 24.6% as compared to 25.4% in 1995 and 25.7% in 1994. The reduction can be attributed primarily to the significant increase in revenues. The increase in absolute dollars was \$378.9 million, or 31%. U.S. operations increased \$160.5 million and International increased \$176.3 million, largely a result of increased sales and marketing spending as well as infrastructure to support growth outside the U.S. Bauer accounted for \$33 million of the increase. The increase of \$235.7 million in 1995 over 1994 was attributed to the acquisition of formerly independent International operations and planned growth in International infrastructure. The Company intends to continue to invest in growth opportunities and worldwide marketing and advertising in order to ensure the successful sell-through of the high level of orders discussed below.\*

Interest expense increased \$15.3 million due primarily to the higher levels of short term borrowings needed to fund current operations. In 1995, average cash and equivalents were higher, as available cash was used to fund the acquisition of Bauer. Interest expense during 1995 increased \$9 million

over 1994 as a result of significant operational and investment cash needs financed with short term borrowings, lower net cash position compared with 1994, and the reduction of long-term debt with the repayment of \$50 million in long-term notes which occurred at the beginning of fiscal 1994.

Other income/expense rose \$25 million in expense over 1995, primarily as a result of increased goodwill amortization from the acquisition of Bauer, a reduction in interest income due to a net lower cash position compared with the prior year, and increased profit share expense due to increased earnings. These were partially offset by the absence of non-recurring specific obligations which occurred in the prior year related to the shutdown of certain facilities in conjunction with the consolidation of European warehouses. In the prior year, other income/expense rose \$3.5 million in expense over 1994, primarily as a result of increased goodwill amortization and additional non-recurring charges discussed above, offset partially by increased interest income resulting from higher interest rates and excess cash in the first half of the year.

The fiscal 1996 effective tax rate remained constant with 1995 at 38.5%, and was 39.1% in 1994. In 1996, the rate was affected by a non-recurring state tax credit offset by increased taxes on foreign earnings. The decrease in 1995 compared with 1994 was primarily the result of lower taxes provided on non-U.S. earnings. Fiscal 1994's effective tax rate increased due to the U.S. federal tax increase of 1%, which was applied retroactively, and the Company's subsequent implementation of Financial Accounting Standards Board Statement 109, which required the application of the 1% increase to deferred taxes. This increase was partially offset by the Company's decision to permanently reinvest more foreign earnings overseas, reducing tax expense by the U.S. tax previously recognized. The Company anticipates the effective tax rate for fiscal 1997 to approximate the rate for 1996.\*



Worldwide futures and advance orders for NIKE brand athletic footwear and apparel scheduled for delivery from June through November, 1996, were approximately \$3.9 billion, 55% higher than such orders booked in the comparable period of the prior year. These orders and the percentage growth in these orders are not necessarily indicative of the growth in revenues which the Company will experience for the subsequent periods. This is because the mix of advance futures and "at once" orders has shifted significantly toward futures orders as the NIKE brand become more established in all areas, specifically in the U.S. apparel business and in international regions. The mix of advance orders to "at once" orders will continue to vary as the U.S. apparel business and international operations continue to account for a greater percentage of total revenues and place a greater emphasis on futures programs. Finally, exchange rates can cause differences in the comparisons.

Since the Company operates globally, it is exposed to market risks from changes in foreign currency exchange rates. In order to minimize the effect of fluctuations on the Company's foreign currency transactions, the Company uses highly liquid foreign currency spot, forward and purchased options with high credit quality financial institutions. The Company also transacts foreign exchange contracts to hedge underlying economic exposures and does not transact in derivatives for trading or speculative purposes. Where possible, the Company nets its foreign exchange exposures to take advantage of natural offsets that occur in the normal course of business. Firmly committed transactions and the related receivables and payables may be hedged with forward exchange contracts or purchased options. Anticipated, but not yet firmly committed transactions, may be hedged through the use of purchased options. Additional information concerning the Company's hedging activities is presented in Note 14 to the Consolidated Financial Statements.

Generally, a weaker U.S. dollar in comparison to foreign currencies, will result in higher translation of operating results in these financial statements than would a stronger U.S. dollar. The net effect of translations on the 1996 results of operations was minimal while its effect on 1995 was favorable.

The Company's international operations are subject to the usual risks of doing business abroad, such as the imposition of import quotas or anti-dumping duties. In February, 1995, the EU Commission, at the request of the European footwear manufacturers, initiated two anti-dumping investigations covering certain footwear imported from the People's Republic of China (the "PRC"), Indonesia and Thailand. The investigations expressly exclude certain types of sports footwear (as defined in the

Notices of Initiation of Anti-Dumping Proceedings). The Company believes that most of its footwear sourced in the target countries for sale in the EU fits within these exclusions and, therefore, that it will not be materially affected by the results of these anti-dumping investigations. However, the above mentioned exclusions are subject to interpretation and/or amendment by the EU customs authorities (e.g., as to the meaning of terms such as "footwear designed for a sporting activity").

As of the end of the 1996 fiscal year, the Company is unable to estimate the likelihood that the EU Commission will ultimately impose anti-dumping duties on any of the footwear covered by the investigations, or the amount of any such duties. However, the most recent information obtained by the Company concerning this matter suggests that provisional anti-dumping measures will probably be imposed by late 1996 and that, in the case of China and Indonesia, these may entail the imposition of substantial duties.

In the event that any of the Company's footwear were deemed to not be covered by the above mentioned exclusions and hence, were affected by such duties, the Company could consider, in addition to its possible legal remedies, shifting the production of such footwear to other countries in order to maintain competitive pricing. The Company believes that it is prepared to deal effectively with any such anti-dumping measures that may arise and that any adverse impact would be of a short-term nature. The Company continues to closely monitor international trade restrictions and to adopt its multi-country sourcing strategy and contingency plans. The Company believes that its major competitors would be similarly impacted by any such restrictions.

As discussed further in Note 1 to the Consolidated Financial Statements, beginning in fiscal year 1997, the Company will eliminate the one month lag in reporting of certain international operations, in order to coincide with the consolidated fiscal year end. This change will not have a material effect on the annual results of operations, however, quarterly results will change as certain reporting periods will shift one month. The Selected Quarterly Data section includes adjusted quarterly data as if the change had been in effect in fiscal years 1996 and 1995.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position remains extremely strong at May 31, 1996. Total assets grew over \$800 million to approximately \$2.9 billion and shareholder's equity increased \$467 million to approximately \$2.4 billion. Cash and equivalents increased \$46 million (21%). Working capital increased \$321 million as a result of higher levels of all current

assets, offset by increased notes payable, accounts payable, and accrued liabilities, primarily a result of the increases in operations. The Company's current ratio increased only slightly compared to May 31, 1995.

Inventory levels have increased \$301 million since May 31, 1995, primarily due to increases in U.S. apparel and international inventories to support the high level of futures orders for the next quarter. Accounts receivable increased \$293 million (28%) due to the high level of fourth quarter revenues (36% higher than the previous year). Prepaid expenses have increased \$20 million primarily due to advance payments relating to the July 1996 summer Olympics.

Net deferred tax assets increased by \$73.2 million from \$54.9 million at May 31, 1995 to \$128.1 million at May 31, 1996. The increase is primarily attributable to a reduction of \$14.9 million of deferred tax liabilities associated with undistributed earnings of foreign subsidiaries, and increases in deferred tax assets related to: foreign loss carry forwards (\$19.2 million), reserves and accrued liabilities (\$12.5 million) and deferred compensation (\$7.4 million). The change related to undistributed earnings of foreign subsidiaries is attributable to a net increase in unremitted foreign earnings from subsidiaries in higher taxed jurisdictions. The increase in deferred tax assets related to foreign loss carry forwards is due to tax losses in certain individual jurisdictions incurred as a result of initial investments required to centralize the Company's European operations. (See Note 6 to the Consolidated Financial Statements for a further breakdown of the Company's deferred tax balances.) Other assets were also increased by prepayments on certain long-term endorsement contracts.

Current liabilities increased \$366 million, with the most significant increases occurring in accounts payable (\$157 million) and accrued liabilities (\$135 million). The increase in accounts payable relates to higher levels of operations and inventory purchases. Accrued liabilities increased due to higher levels of employee benefit accruals and other accruals relating to the higher level of operations.

Additions to property, plant and equipment for fiscal 1996 were \$216 million, with the most significant components related to the continued consolidation of European footwear warehouses and the expansion of NIKE Town retail locations in the U.S. Additions to property, plant and equipment of \$154 million and \$95 million in fiscal 1995 and 1994, respectively, related to the expansion of international warehouse facilities to satisfy increased capacity needs, along with investments in management information systems and new NIKE retail locations. Anticipated capital expenditures for fiscal 1997 approximate \$400 million, with the primary

components consisting of the expansion of existing world headquarters, new NIKE Town retail locations, expanded warehousing in the U.S. and other countries and improved information systems. Funding is expected to be provided by operations, short term borrowing capacity and long-term debt. Additional investing activities in 1995 included the acquisition of Bauer and certain international distributors, including Karze.

During fiscal 1994, the Company announced that the Executive Committee of its Board of Directors, acting within limits set by the Board, authorized a plan to repurchase a maximum of \$650 million NIKE Class B Common Stock over a period of up to three years. During fiscal 1996, the Board of Directors voted to extend the program until July 1, 1999. Funding has, and is expected to continue to, come from operating cash flow in combination with occasional short or medium-term borrowings. The timing and the amount of shares purchased will be dictated by working capital needs and stock market conditions. As of May 31, 1996, the Company had repurchased \$5.1 million shares of a total cost of \$301.7 million.

Dividends per share of common stock for fiscal 1996 rose 10 over fiscal 1995 to \$ 58 per share. Dividend declaration in all four quarters has been consistent since February 1984. Based upon current projected earnings and cash flow requirements, the Company anticipates continuing a dividend and reviewing its policy during the second fiscal quarter board meeting. The Company's amount continues to target an annual dividend in the range of 15% to 25% of trailing twelve-month earnings.

The Company's commercial paper program requires the support of committed and uncommitted lines of credit. There was \$0 and \$118 million outstanding under this program at May 31, 1996 and 1995, respectively. Additionally, no amounts were outstanding at May 31, 1996 and 1995, under unsecured multiple option credit facilities of \$500 million and \$300 million, respectively. See Note 4 to the Consolidated Financial Statements for further details concerning the Company's short-term borrowing. NIKE's debt-to-equity ratio at May 31, 1996 was consistent with May 31, 1995 at .6:1, and was .4:1 at May 31, 1994.

Management believes that funds generated by operations, together with currently available resources and anticipated long-term debt arrangements, will adequately finance anticipated fiscal 1997 expenditures.

\*The marked items are forward-looking statements that involve risks and uncertainties detailed from time to time in reports filed by NIKE with the SEC, including Forms 8-K, 10-Q, and 10-K.



## FINANCIAL REPORTING

Management of NIKE, Inc. is responsible for the information and representations contained in this report. The financial statements have been prepared in conformity with the generally accepted accounting principles we considered appropriate in the circumstances and include some amounts based on our best estimates and judgments. Other financial information in this report is consistent with these financial statements.

The Company's accounting systems include controls designed to reasonably assure that assets are safeguarded from unauthorized use or disposition and which provide for the preparation of financial statements in conformity with generally accepted accounting principles. These systems are supplemented by the selection and training of qualified financial personnel and an organizational structure providing for appropriate segregation of duties.

An Internal Audit department reviews the results of its work with the Audit Committee of the Board of Directors, presently consisting of three outside directors of the Company. The Audit Committee is responsible for recommending to the Board of Directors the appointment of the independent accountants and reviews with the independent accountants, management and the internal audit staff, the scope and the results of the annual examination, the effectiveness of the accounting control system and other matters relating to the financial affairs of the Company as they deem appropriate. The independent accountants and the internal auditors have full access to the Committee, with and without the presence of management, to discuss any appropriate matters.

## REPORT OF INDEPENDENT ACCOUNTANTS

Portland, Oregon

July 3, 1996

To the Board of Directors and  
Shareholders of NIKE, Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of cash flows and of shareholders' equity present fairly, in all material respects, the financial position of NIKE, Inc. and its subsidiaries at May 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing

standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

*Price Waterhouse LLP*



**NIKE, INC. CONSOLIDATED STATEMENT OF INCOME**

(in thousands, except per share data)

Year Ended May 31,	1999	1998	1997
Revenues	\$6,470,623	\$4,760,834	\$3,789,668
Costs and expenses:			
Costs of sales	3,906,746	2,865,280	2,301,423
Selling and administrative	1,368,412	1,209,760	974,099
Interest expense (Notes 4 and 5)	39,498	24,208	15,282
Other income/expense, net (Notes 1, 9 and 10)	26,679	11,722	8,270
	\$271,533	\$110,970	\$299,074
Income before income taxes	\$99,090	\$49,864	\$49,594
Income taxes (Note 6)	345,900	250,200	191,800
Net income	\$ 533,190	\$ 399,664	\$ 298,794
Net income per common share (Note 1)	\$ 3.37	\$ 2.72	\$ 1.98
Average number of common and common equivalent shares (Note 1)	148,804	147,006	150,912

The accompanying notes to consolidated financial statements are an integral part of this statement.

**NIKE, INC. CONSOLIDATED BALANCE SHEET**

(in thousands)

May 31,	1999	1998
<b>ASSETS</b>		
Current Assets:		
Cash and equivalents	\$ 262,117	\$ 216,071
Accounts receivable, less allowance for doubtful accounts of \$43,372 and \$32,663	1,346,135	1,053,237
Inventories (Note 7)	831,151	629,742
Deferred income taxes (Note 6)	93,120	72,457
Prepaid expenses	96,427	74,221
Total current assets	2,726,940	2,045,928
Property, plant and equipment, net (Notes 3 and 5)	643,459	554,879
Identifiable intangible assets and goodwill (Note 1)	474,812	495,907
Deferred income taxes and other assets	106,417	46,031
Total assets	\$3,951,628	\$3,142,745
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Current portion of long-term debt (Note 5)	\$ 7,301	\$ 31,943
Notes payable (Note 4)	445,064	397,100
Accounts payable (Note 4)	435,034	297,656
Accrued liabilities	480,007	345,224
Income taxes payable	79,233	35,612
Total current liabilities	1,447,009	1,107,535
Long-term debt (Notes 5 and 13)	9,288	10,565
Deferred income taxes (Note 6)	1,883	17,789
Other liabilities (Note 1)	41,492	41,867
Commitments and contingencies (Notes 11 and 14)	—	—
Redeemable Preferred Stock (Note 7)	300	300
Shareholders' equity (Note 8):		
Common Stock at stated value:		
Class A convertible — 51,120, and 51,790 shares outstanding	153	155
Class B — 92,509 and 91,100 shares outstanding	2,792	2,498
Capital in excess of stated value	134,833	122,436
Foreign currency translation adjustment	(16,501)	1,585
Retained earnings	2,290,219	1,837,815
Total shareholders' equity	2,431,400	1,964,689
Total liabilities and shareholders' equity	\$3,951,628	\$3,142,745

The accompanying notes to consolidated financial statements are an integral part of this statement.



**NIKE, INC. CONSOLIDATED STATEMENT OF INCOME**

(in thousands, except per share data)

Year Ended May 31,	1988	1989	1990
<b>Revenues</b>	<b>\$6,470,625</b>	<b>\$4,760,834</b>	<b>\$3,789,668</b>
<b>Costs and expenses:</b>			
Costs of sales	3,904,746	2,865,280	2,301,423
Selling and administrative	1,388,412	1,209,760	974,099
Interest expense (Notes 4 and 5)	39,498	24,208	15,282
Other income/expense, net (Notes 1, 9 and 10)	36,479	11,722	8,270
	<b>5,571,535</b>	<b>4,110,970</b>	<b>3,299,074</b>
<b>Income before income taxes</b>	<b>899,090</b>	<b>649,864</b>	<b>490,594</b>
Income taxes (Note 6)	345,990	250,200	191,800
<b>Net income</b>	<b>\$ 533,100</b>	<b>\$ 399,664</b>	<b>\$ 298,794</b>
<b>Net income per common share (Note 1)</b>	<b>\$ 3.77</b>	<b>\$ 2.72</b>	<b>\$ 1.98</b>
<b>Average number of common and common equivalent shares (Note 1)</b>	<b>140,804</b>	<b>147,006</b>	<b>150,912</b>

The accompanying notes to consolidated financial statements are an integral part of this statement.

**NIKE, INC. CONSOLIDATED BALANCE SHEET**

(in thousands)

May 31,	1988	1989
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and equivalents	\$ 438,159	\$ 216,071
Accounts receivable, less allowance for doubtful accounts of \$43,372 and \$32,663	1,346,135	1,053,237
Inventories (Note 7)	931,151	629,742
Deferred income taxes (Note 6)	93,120	72,657
Prepaid expenses	94,427	74,221
<b>Total current assets</b>	<b>2,726,986</b>	<b>2,045,928</b>
Property, plant and equipment, net (Notes 3 and 6)	443,459	554,679
Identifiable intangible assets and goodwill (Note 1)	474,812	495,907
Deferred income taxes and other assets	106,417	46,031
<b>Total assets</b>	<b>\$3,951,428</b>	<b>\$3,142,745</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Current portion of long-term debt (Note 3)	\$ 7,301	\$ 31,943
Notes payable (Note 4)	445,064	397,100
Accounts payable (Note 4)	433,034	297,656
Accrued liabilities	680,407	345,224
Income taxes payable	79,253	35,612
<b>Total current liabilities</b>	<b>1,467,659</b>	<b>1,107,535</b>
Long-term debt (Notes 3 and 13)	9,384	10,565
Deferred income taxes (Note 6)	1,883	17,789
Other liabilities (Note 1)	41,402	41,867
Commitments and contingencies (Notes 11 and 14)	—	—
Redeemable Preferred Stock (Note 7)	300	300
<b>Shareholders' equity (Note 8):</b>		
Common Stock at stated value:		
Class A convertible - 51,120, and 51,790 shares outstanding	193	155
Class B - 92,509 and 91,100 shares outstanding	2,702	2,698
Capital in excess of stated value	154,833	122,436
Foreign currency translation adjustment	(16,501)	1,585
Retained earnings	2,290,219	1,837,815
<b>Total shareholders' equity</b>	<b>2,431,400</b>	<b>1,964,689</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$3,951,428</b>	<b>\$3,142,745</b>

The accompanying notes to consolidated financial statements are an integral part of this statement.



**NIKE, INC. CONSOLIDATED STATEMENT OF CASH FLOWS**

(in thousands)	1988	1989	1990
Year Ended May 31,			
<b>Cash provided (used) by operations:</b>			
Net income	\$553,190	\$399,664	\$298,794
Income charges (credits) not affecting cash:			
Depreciation	87,179	71,113	64,531
Deferred income taxes and purchased tax benefits	(73,379)	(24,668)	(23,876)
Other liabilities	(445)	(1,359)	(3,588)
Amortization and other	33,199	19,125	8,067
Changes in certain working capital components:			
(Increase) decrease in inventory	(301,499)	(69,676)	160,823
(Increase) decrease in accounts receivable	(292,888)	(301,448)	23,979
(Increase) decrease in other current assets	(20,054)	(10,276)	6,888
Increase in accounts payable, accrued liabilities and income taxes payable	332,548	172,638	40,845
Cash provided by operations	330,031	254,913	576,463
<b>Cash provided (used) by investing activities:</b>			
Additions to property, plant and equipment	(216,386)	(154,125)	(95,265)
Disposals of property, plant and equipment	12,773	9,011	12,450
Additions to other assets	(26,376)	(6,260)	(5,450)
Acquisition of subsidiaries:			
Identifiable intangible assets and goodwill	—	(345,901)	(2,185)
Net assets acquired	—	(84,119)	(1,367)
Cash used by investing activities	(230,989)	(581,394)	(91,618)
<b>Cash provided (used) by financing activities:</b>			
Additions to long-term debt	3,644	2,971	6,044
Reductions in long-term debt including current portion	(39,332)	(39,804)	(34,986)
Increase (decrease) in notes payable	47,944	263,874	(2,939)
Proceeds from exercise of options	21,150	6,154	4,288
Repurchase of stock	(18,754)	(142,919)	(140,104)
Dividends - common and preferred	(78,884)	(65,418)	(60,282)
Cash provided (used) by financing activities	(53,784)	24,858	(249,979)
Effect of exchange rate changes on cash	(206)	(1,122)	(7,334)
Net increase (decrease) in cash and equivalents	46,946	(302,745)	227,532
Cash and equivalents, beginning of year	216,871	518,816	291,284
Cash and equivalents, end of year	\$263,817	\$216,071	\$518,816

The accompanying notes to consolidated financial statements are an integral part of this statement.

**NIKE, INC. CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**

(in thousands)	1988	1989	1990
Year Ended May 31,			
<b>Supplemental disclosure of cash flow of information:</b>			
Cash paid during the year for:			
Interest (net of amount capitalized)	\$ 32,800	\$ 20,200	\$ 11,300
Income taxes	359,300	285,400	189,800
<b>Supplemental schedule of non-cash investing activities:</b>			
The Company had a like-kind exchange of certain equipment during the year as follows:			
Cost of old equipment	—	—	\$ 24,057
Accumulated depreciation	—	—	(14,502)
Cash received	—	—	652
Book value of new assets	—	—	\$ 10,207
The Company acquired new NIKE subsidiaries during the year as follows:			
Assets acquired	—	—	\$124,966
Less: cash paid	—	—	(3,552)
Liabilities assumed	—	—	\$121,414

The accompanying notes to consolidated financial statements are an integral part of this statement.



**NIKE, INC. CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**

(in thousands)	Common Stock		Capital in Excess Of Stated Value		Foreign Currency Translation Adjustment	Retained Earnings	Total	
	Class A	Class B	Class A	Class B				
	Shares	Amount	Shares	Amount				
Balance at May 31, 1993	26,691	\$159	49,161	\$2,720	\$108,451	\$( 7,790)	\$1,539,279	\$1,642,819
Stock options exercised			167	1	6,287			6,288
Conversion to Class B Common Stock	(12)	—	12	—				—
Repurchase of Class B Common Stock			(2,819)	(17)	(6,454)		(133,633)	(140,104)
Translation of statements of international operations						(7,333)		(7,333)
Net income							298,794	298,794
Dividends on Redeemable Preferred Stock							(30)	(30)
Dividends on Common Stock							(59,485)	(59,485)
Balance at May 31, 1994	26,679	159	46,521	2,704	108,284	(15,123)	1,644,925	1,740,949
Stock options exercised			241	2	8,954			8,956
Conversion to Class B Common Stock	(784)	(4)	784	4				—
Repurchase of Class B Common Stock			(2,130)	(13)	(4,801)		(138,106)	(142,920)
Stock issued pursuant to contractual obligations			134	1	9,999			10,000
Translation of statements of international operations						16,708		16,708
Net income							399,664	399,664
Dividends on Redeemable Preferred Stock							(30)	(30)
Dividends on Common Stock							(68,638)	(68,638)
Balance at May 31, 1995	25,895	155	45,550	2,698	122,436	1,585	1,837,815	1,964,689
Stock options exercised			756	3	32,848			32,851
Conversion to Class B Common Stock	(655)	(2)	655	2				—
Repurchase of Class B Common Stock			(200)	(1)	(451)		(18,304)	(18,756)
Two-for-one Stock Split October 30, 1995	25,880		45,748					
Translation of statements of international operations						(18,086)		(18,086)
Net income							553,190	553,190
Dividends on Redeemable Preferred Stock							(30)	(30)
Dividends on Common Stock							(82,458)	(82,458)
Balance at May 31, 1996	21,120	\$153	92,509	\$2,702	\$154,833	\$(19,391)	\$2,399,313	\$2,431,400

The accompanying notes to consolidated financial statements are an integral part of this statement.

**NIKE, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**
**Basic of consolidation:**

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated. To facilitate the timely preparation of the consolidated financial statements, the accounts of certain international operations have been consolidated for fiscal years ending in April. The consolidated financial statements in fiscal 1997 will eliminate the one month lag in reporting for these international operations. The results of operations of May 1996 of these entities, which would have previously been reported in results of fiscal 1997, will be recorded as an adjustment to beginning retained earnings for fiscal 1997.

**Recognition of revenues:**

Revenues are recognized include sales plus fees earned on sales by licensees.

**Advertising:**

Advertising production costs are expensed the first time the advertisement is run. Media (TV and print) placement costs are expensed in the month the advertising appears. Total advertising and promotion expenses were \$642,500,000, \$495,000,000 and \$373,100,000 for the years ended May 31, 1994, 1995 and 1996, respectively. Included in prepaid expenses and other assets was \$69,300,000 and \$24,300,000 at May 31, 1996 and 1995, respectively, relating to prepaid advertising and promotion expenses.

**Cash and equivalents:**

Cash and equivalents represent cash and short-term, highly liquid investments with original maturities three months or less.

**Inventory valuation:**

Inventories are stated at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method for substantially all U.S. inventories. International inventories are valued on a first-in, first-out (FIFO) basis.

**Property, plant and equipment and depreciation:**

Property, plant and equipment are recorded at cost. Depreciation for financial reporting purposes is determined on a straight-line basis for buildings and leasehold improvements and principally on a declining balance basis for machinery and equipment, based upon estimated useful lives ranging from three to thirty-two years.

**Identifiable intangible assets and goodwill:**

At May 31, 1996 and 1995, the Company had patents, trademarks and other identifiable intangible assets with a value of \$209,586,000 and \$209,203,000, respectively. The Company's excess of purchase cost over the fair value of net assets of businesses acquired (goodwill) was \$327,555,000 and \$329,726,000 at May 31, 1996 and 1995, respectively.

Identifiable intangible assets and goodwill are being amortized over their estimated useful lives on a straight-line basis over five to forty years. Accumulated amortization was \$62,329,000 and \$43,022,000 at May 31, 1996 and 1995, respectively. Amortization expense, which is included in other income/expense, was \$21,772,000, \$13,176,000 and \$8,409,000 for the years ended May 31, 1996, 1995 and 1994, respectively. Intangible assets are periodically reviewed by the Company for impairments where the fair value is less than the carrying value.

**Other liabilities:**

Other liabilities include amounts with settlement dates beyond one year, and are primarily composed of long-term deferred endorsement payments of \$21,674,000 and \$26,893,000 at May 31, 1996 and 1995, respectively. Deferred payments to endorses relate to amounts due beyond contract termination, which are discounted at various interest rates and accrued over the contract period.

**Endorsement contracts:**

Accounting for endorsement contracts is based upon specific contract provisions. Generally, endorsement payments are expensed uniformly over the term of the contract after giving recognition to periodic performance compliance provisions of the contracts. Contracts requiring prepayments are included in prepaid expenses or other assets depending on the length of the contract.

**Foreign currency translation:**

Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are included in the currency translation adjustment in shareholders' equity.

**Derivatives:**

The Company enters into foreign currency contracts in order to reduce the impact of certain foreign currency fluctuations. Firmly committed transactions and the related receivables and payables may be hedged with forward exchange contracts or purchased options. Anticipated, but not yet firmly committed, transactions may be hedged through the use of purchased options. Premiums paid on purchased options and any gains are included in accrued liabilities and are recognized in earnings when the transaction being hedged is recognized. See Note 14 for further discussion.

**Income taxes:**

Income taxes are provided currently on financial statement earnings of international subsidiaries expected to be repatriated. The Company intends to determine annually the amount of undistributed international earnings to invest indefinitely in its international operations.

In June 1993, the Company adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (FAS 109). The adoption of FAS 109 changes the Company's method of accounting for income taxes from the deferred method (APB 11) to an asset and liability approach. Previously, the Company deferred the post tax effects of timing differences between financial reporting and taxable income. The asset and liability approach requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of other assets and liabilities. See Note 6 for further discussion.

**Net income per common share:**

Net income per common share is computed based on the weighted average number of common and common equivalent (stock option) shares outstanding for the periods reported.

On October 30, 1995, the Company issued additional shares in connection with a two-for-one stock split effected in the form of a 100% stock dividend.

on outstanding Class A and Class B common stock. The per common share amounts in the Consolidated Financial Statements and accompanying notes have been adjusted to reflect this stock split.

**Management estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates, including estimates relating to assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Reclassifications:**

Certain prior year amounts have been reclassified to conform to fiscal 1996 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

**NOTE 2 - INVENTORIES:**

Inventories by major classification are as follows:

(in thousands)	1996	1995
May 31,		
Finished goods	\$906,943	\$618,521
Work-in-progress	20,002	9,064
Raw materials	4,206	2,157
	\$931,151	\$629,742

The excess of replacement cost over LIFO cost was \$16,023,000 at May 31, 1996, and \$19,512,000 at May 31, 1995.

**NOTE 3 - PROPERTY, PLANT AND EQUIPMENT:**

Property, plant and equipment includes the following:

(in thousands)	1996	1995
May 31,		
Land	\$ 75,309	\$ 68,102
Buildings	246,602	224,586
Machinery and equipment	372,396	470,422
Leasehold improvements	63,678	63,716
Construction in process	69,660	64,387
	1,067,705	891,213
Less accumulated depreciation	404,246	336,334
	\$ 663,459	\$554,879

**NOTE 4 - SHORT-TERM BORROWINGS AND CREDIT LINES:**

Notes payable to banks and interest bearing accounts payable to Nissha Iwal American Corporation (NIAC) are summarized below:

(in thousands)	1996		1995	
May 31,	Borrowings	Interest Rate	Borrowings	Interest Rate
Banks:				
U.S. Operations	\$ —	—%	\$118,609	6%
International Operations	\$45,064	4 1/4%	278,491	5%
	\$45,064		\$397,100	
NIAC	\$237,413	5 1/4%	\$129,480	2%

At May 31, 1995, the Company had no outstanding borrowings under its \$300 million unsecured multiple option facility with sixteen banks. On September 15, 1995, the Company terminated this facility and entered into a new \$500 million unsecured multiple-option facility with eleven banks, which matures on October 31, 2002. This agreement contains optional borrowing alternatives consisting of a committed revolving loan facility and a competitive bid facility. The interest rate charged on this agreement is determined by the borrowing option and, under the committed revolving loan facility, is either the London Interbank Offered Rate (LIBOR) plus .19% or the higher of the Fed Funds rate plus .50% or the Prime Rate. The agreement provides for annual fees of .07% of the total commitment. Under the agreement, the Company must maintain among other things certain minimum specified financial ratios with which the Company was in compliance at May 31, 1996. At May 31, 1996, there were no outstanding borrowings under this facility.

Ratings for the Company to issue commercial paper, which is required to be supported by committed and uncommitted lines of credit, are A1 by Standard and Poor's Corporation and P1 by Moody's Investor Service.

At May 31, 1996 there were no amounts outstanding and at May 31, 1995 there was \$118,609,000 outstanding under these arrangements.

The Company has outstanding loans at interest rates at various spreads above the banks' cost of funds for financing international operations. Certain of these loans can be secured by accounts receivable and inventory.

The Company purchases through Nissha Iwal American Corporation ("NIAC") substantially all of the athletic footwear and apparel it acquires from non-U.S. suppliers. Accounts payable to NIAC are generally due up to 120 days after shipment of goods from the foreign part. Interest on such accounts payable accrues at the ninety day LIBOR rate as of the beginning of the month of the invoice date, plus .30%.

**NOTE 5 - LONG-TERM DEBT:**

Long-term debt includes the following:

(in thousands)	1996	1995
May 31,		
10-4% senior secured note	\$ —	\$22,244
9-43% capital warehouse lease, payable in quarterly installments through 2007	7,485	9,078
Other	9,400	11,185
Total	\$16,885	\$42,507
Less current maturities	7,301	31,943
	\$ 9,584	\$10,565



**NOTE 8 - COMMON STOCK**

The authorized number of shares of Class A Common Stock no par value and Class B Common Stock no par value are 110,000,000 and 350,000,000, respectively. The Company announced a two-for-one stock split which was effected in the form of a 100% stock dividend on outstanding Class A and Class B Common Stock, paid October 30, 1993. Each share of Class A Common Stock is convertible into one share of Class B Common Stock. Voting rights of Class B Common Stock are limited in certain circumstances with respect to the election of directors.

The Company's Employee Incentive Compensation Plan (the "1980 Plan") was adopted in 1980 and expired on December 31, 1990. The 1980 Plan provided for the issuance of up to 6,720,000 shares of the Company's Class B Common Stock in connection with the exercise of stock options granted under such plan. No further grants will be made under the 1980 Plan.

In 1990, the Board of Directors adopted, and the shareholders approved, the NIKE, Inc. 1990 Stock Incentive Plan (the "1990 Plan"). The 1990 Plan provides for the issuance of up to 8,000,000 shares of Class B Common Stock in connection with stock options and other awards granted under such plan. The 1990 Plan authorizes the grant of incentive stock options, non-statutory stock options, stock appreciation rights, stock bonuses, and the sale of restricted stock. The exercise price for incentive stock options may not be less than the fair market value of the underlying shares on the date of grant. The exercise price for non-statutory stock options and stock

appreciation rights, and the purchase price of restricted stock, may not be less than 75% of the fair market value of the underlying shares on the date of grant. No consideration will be paid for stock bonuses awarded under the 1990 Plan. The 1990 Plan is administered by a committee of the Board of Directors. The committee has the authority to determine the employees to whom awards will be made, the amount of the awards, and the other terms and conditions of the awards. As of May 31, 1996, the committee has granted substantially all non-statutory stock options at 100% of fair market value on the date of grant under the 1990 Plan.

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" (SFAS No. 123), which is effective for years beginning after December 15, 1995. SFAS No. 123 encourages, but does not require, companies to recognize compensation expense for grants of common stock, stock options, and other equity instruments to employees based upon the fair value of the instruments when issued. Companies electing not to recognize compensation expense are required to disclose what net income and earnings per share would have been if the expense were recognized. At this time, the Company expects to elect the disclosure option of SFAS No. 123 rather than recognition of compensation expense.

The following summarizes the stock option transactions under the 1980 and 1990 Plans:

	Shares (in thousands)	Option Price Per Share (\$)
<b>Options outstanding May 31, 1984:</b>	2,354	4% to 56 1/2%
Exercised	(223)	4% to 60 1/2%
Surrendered	(24)	37% to 59%
Granted	581	58 1/2 to 74 1/2%
<b>Options outstanding May 31, 1989:</b>	2,688	11 1/2% to 74 1/2%
Exercised	(623)	5 1/2% to 42
Surrendered	(50)	26 1/2 to 42
Granted	647	42 to 96 1/2%
Stock Split	2,991	5 1/2% to 42
<b>Options outstanding May 31, 1990:</b>	3,653	6 1/2% to 96 1/2%
<b>Options exercisable at May 31:</b>		
1995	1,018	11 1/2% to 60 1/2%
1996	4,676	6 1/2% to 37 1/2%

In addition to the option plans discussed previously, the Company has several agreements outside of the plans with certain directors, endorses and employees. As of May 31, 1996, 3,867,050 options with exercise prices ranging from \$ 47 per share to \$46.31 per share had been granted.

The aggregate compensation expenses related to these agreements is \$8,133,000 and is being amortized over vesting periods from October 1990 through October 1998. The outstanding agreements expire from February 1998 through September 2005.

The following summarizes transactions outside the option plans:

	Shares (in thousands)	Option Price Per Share (\$)
<b>Options outstanding May 31, 1994:</b>	269	4% to 31
Exercised	(18)	4% to 38 1/2%
Surrendered	—	—
Granted	—	—
<b>Options outstanding May 31, 1995:</b>	251	4% to 56 1/2%
Exercised	(133)	4% to 43 1/2%
Surrendered	—	—
Granted	95	46 1/2% to 84
Stock Split	198	4% to 46 1/2%
<b>Options outstanding May 31, 1996:</b>	411	6 1/2% to 48 1/2%
<b>Options exercisable at May 31:</b>		
1995	207	4% to 56 1/2%
1996	140	6 1/2% to 28 1/2%

**NOTE 9 - BENEFIT PLANS**

The Company has a profit sharing plan available to substantially all employees. The terms of the plan call for annual contributions by the Company as determined by the Board of Directors. Contributions of \$15,500,000, \$11,200,000 and \$8,500,000 to the plan are included in other expense in the consolidated financial statements for the years ended May 31, 1996, 1995 and 1994, respectively.

The Company has a voluntary 401(k) employee savings plan. The Company matches with Common Stock a portion of employee contributions, vesting that portion over 5 years. Company contributions to the savings plan were \$4,660,000, \$3,363,000 and \$3,503,000 for the years ended May 31, 1996, 1995 and 1994, respectively.



**NOTE 10 - OTHER INCOME/EXPENSE, NET:**

Included in other income/expense for the years ended May 31, 1996, 1995 and 1994, is interest income of \$16,083,000, \$26,094,000 and \$19,064,000, respectively. The Company recognized \$11,412,000 and \$7,060,000 in non-recurring specific obligations associated with the shutdown of certain facilities in conjunction with the consolidation of European warehouses for the years ended May 31, 1995 and 1994, respectively.

**NOTE 11 - COMMITMENTS AND CONTINGENCIES:**

The Company leases space for its offices, warehouses and retail stores under leases expiring from one to twenty-one years after May 31, 1996. Rent expense aggregated \$52,483,000, \$43,506,000 and \$37,677,000 for the years ended May 31, 1996, 1995 and 1994, respectively. Amounts of minimum future annual rental commitments under non-cancelable operating leases in each of the five fiscal years 1997 through 2001 are \$55,196,000, \$54,189,000, \$44,196,000, \$40,049,000, \$37,025,000, respectively, and \$247,320,000 in later years.

Lawsuits arise during the normal course of business. In the opinion of management, none of the pending lawsuits will result in a significant impact on the consolidated results of operations or financial position.

**NOTE 12 - ACQUISITION OF BAUER INC.:**

During the third quarter of fiscal 1995, NIKE acquired all the outstanding shares of Bauer Inc. (formerly Constar Sports Inc.), the world's largest hockey equipment manufacturer. The acquisition was accounted for using the purchase method of accounting. The cash purchase price, including acquisition costs, was approximately \$409 million.

Bauer's assets and liabilities have been recorded in the Company's consolidated balance sheet at their fair-values at the acquisition date. Identifiable intangible assets and goodwill relating to the purchase approximated \$336 million with estimated useful lives ranging from 5 to 40 years. The amortization period is based on the Company's belief that the combined company has substantial potential for achieving long-term appreciation of the fully integrated global company. Bauer will permit the continued expansion of the current lines of business, as well as the development of new businesses, which can be used to strategically exploit the companies' brand names and products on an accelerated basis. NIKE believes that the combined company will benefit from the acquisition for an indeterminate period of time of at least 40 years and that therefore a 40-year amortization period is appropriate. The proforma effect of the acquisition on the combined results of operations in fiscal 1995 was not significant.

**NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS:**

The carrying amounts reflected in the consolidated balance sheet for cash and equivalents and notes payable approximate fair value as reported in the balance sheet because of their short maturities. The fair value of long-term debt is estimated using discounted cash flow analyses, based on the Company's incremental borrowing rates for similar types of borrowing arrangements. The fair value of the Company's long-term debt at May 31, 1996, is approximately \$9,539,000, compared to a carrying value \$9,584,000. See Note 14 for discussion of derivatives.

**NOTE 14 - FINANCIAL RISK MANAGEMENT AND DERIVATIVES:**

The purpose of the Company's foreign currency hedging activities is to protect the Company from the risk that the eventual dollar cash flows resulting from the sale and purchase of products in foreign currencies will be adversely affected by changes in exchange rates. The Company does not hold or issue financial instruments for trading purposes. It is the Company's policy to utilize derivative financial instruments to reduce foreign exchange risks where internal netting strategies cannot be effectively employed. Fluctuations in the value of hedging instruments are offset by fluctuations in the value of the underlying exposures being hedged.

The Company uses forward exchange contracts and purchased options to hedge certain firm purchases and sales commitments and the related receivables and payables. Purchased currency options are used to hedge certain anticipated but not yet firmly committed transactions expected to be recognized within one year. Hedged transactions are denominated primarily in European currencies, Japanese yen and Canadian dollar. Premiums paid on purchased options and any realized gains are included in accrued liabilities and recognized in earnings when the transaction being hedged is recognized. Deferred option premiums, net of realized gains, were a liability of \$5.1 million and \$0.9 million at May 31, 1996 and 1995, respectively. Gains and losses related to hedges of firmly committed transactions and the related receivables and payables are deferred and

are recognized in income or as adjustments of carrying amounts when the offsetting gains and losses are recognized on the hedged transaction. Net realized and unrealized gains (losses) on forward contracts deferred at May 31, 1996 and 1995 were \$20.7 million and \$(11.8) million, respectively.

The estimated fair-values of derivatives used to hedge the Company's risks will fluctuate over time. The fair value of the forward exchange contracts is estimated by obtaining quoted market prices. The fair value of option contracts is estimated using option pricing models widely used in the financial markets. These fair value amounts should not be viewed in isolation, but rather in relation to the fair values of the underlying hedged transactions and the overall reduction in the Company's exposure to adverse fluctuations in foreign exchange rates. The notional amounts of derivatives summarized below do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of the exposure to the Company through its use of derivatives. The amounts exchanged are calculated on the basis of the notional amounts and the other terms of the derivatives, which relate to interest rates, exchange rates or other financial indices.

The following table presents the aggregate notional principal amounts, carrying values and fair values of the Company's derivative financial instruments outstanding at May 31, 1996 and 1995.

(in millions)

	May 31, 1996			May 31, 1995		
	Notional Principal Amounts	Carrying Values	Fair Values	Notional Principal Amounts	Carrying Values	Fair Values
Forward Contracts	\$1,422.8	(\$2.1)	\$14.3	\$706.2	(\$1.4)	(\$12.8)
Purchased Options	289.2	2.8	5	62.5	1.4	1.3
Total	\$1,712.0	\$0.7	\$19.3	\$768.7	—	(\$12.5)

At May 31, 1996 and May 31, 1995, the Company had no contracts outstanding with maturities beyond one year. All realized gains/losses deferred at May 31, 1996 will be recognized within one year.

The counterparties to derivative transactions are major financial institutions with investment grade or better credit ratings; however, this does not eliminate the Company's exposure to credit risk with these institutions. This credit risk is generally limited to the unrealized gains in such contracts

should any of these counterparties fail to perform as contracted and is immaterial to any one institution at May 31, 1996 and 1995. To manage this risk, the Company has established strict counterparty credit guidelines which are continually monitored and reported to Senior Management according to prescribed guidelines. Additionally, the Company utilizes a portfolio of financial institutions either headquartered or operating in the same countries the Company conducts its business. As a result, the Company considers the risk of counterparty default to be minimal.



**NOTE 15 - INDUSTRY SEGMENT AND OPERATIONS  
BY GEOGRAPHIC AREAS:**

The Company operates predominantly in one industry segment, that being the design, production, marketing and selling of sports and fitness footwear, apparel and accessories. During 1996, 1995 and 1994, sales to one major customer amounted to approximately 12%, 14% and 14% of total sales, respectively. The geographic distributions of the Company's identifiable assets, operating income and revenues are summarized in the following table.

(In thousands)

Year Ended May 31,	1996	1995	1994
<b>Revenues from unrelated entities:</b>			
United States	\$3,964,662	\$2,997,864	\$2,432,684
Europe	1,334,340	980,444	927,269
Asia/Pacific	735,094	515,652	283,421
Latin America/Canada and other	436,529	266,874	146,294
	\$6,470,625	\$4,760,834	\$3,789,668
<b>Inter-geographic revenues:</b>			
United States	\$ 8,133	\$ 6,396	\$ 3,590
Europe	7,398	5,438	6,514
Asia/Pacific	—	—	—
Latin America/Canada and other	67,962	31,449	9,872
	\$ 82,613	\$ 43,283	\$ 19,976
<b>Total revenues:</b>			
United States	\$3,972,815	\$3,004,260	\$2,436,274
Europe	1,341,738	985,882	933,783
Asia/Pacific	735,094	515,652	283,421
Latin America/Canada and other	503,591	298,323	156,166
Less inter-geographic revenues	(82,613)	(43,283)	(19,976)
	\$6,470,625	\$4,760,834	\$3,789,668
<b>Operating income:</b>			
United States	\$ 497,094	\$ 501,685	\$ 344,632
Europe	145,722	113,800	124,242
Asia/Pacific	123,385	64,168	46,753
Latin America/Canada and other	55,651	37,721	19,141
Less corporate, interest and other income (expense) and eliminations	(122,162)	(67,510)	(44,174)
	\$ 899,090	\$ 649,864	\$ 490,594
<b>Assets:</b>			
United States	\$2,371,991	\$1,425,932	\$1,171,948
Europe	941,522	831,468	487,085
Asia/Pacific	386,485	306,370	197,067
Latin America/Canada and other	188,839	383,263	79,549
Total identifiable assets	\$3,888,837	\$2,947,053	\$1,935,649
Corporate cash and eliminations	62,791	195,692	438,166
Total assets	\$3,951,628	\$3,142,745	\$2,373,815



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Distribution Centers*  
8400 Winchester Blvd.  
Memphis, Tennessee 38125

5151 Shelby Dr.  
Memphis, Tennessee 38118  
27255 S.W. Boones Ferry Road  
Wilsonville, Oregon 97070

*European Headquarters*  
Marathon 7  
1213 PD Hilversum  
The Netherlands

*Central European Headquarters*  
NIKE G.m.b.H.  
Donau Business Ctr.  
388 Handelskai/C-42  
1020 Vienna, Austria

*Canada Sales and Marketing Office*  
NIKE Canada Ltd.  
175 Commerce Valley Drive West  
Toronto, Ontario  
Canada L3T 7Y6

*Asia/Pacific Headquarters*  
Suite 101-A, South Tower  
World Financial Center  
Harbor City, Canton Rd.  
Tsimshatsui, Kowloon  
Hong Kong

*Latin American Headquarters*  
One Bowman Drive  
Beaverton, Oregon 97005-6453

*NIKE, Inc. designs and markets a wide variety of athletic  
footwear, apparel and related items for competitive and  
recreational use.*

*NIKE has attained its premier position in the industry  
through quality production, innovative products and  
aggressive marketing.*

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**SHAREHOLDERS' INFORMATION****ANNUAL MEETING**

We invite shareholders to attend our Annual Meeting on Monday, September 16, 1996 at 10:00 am, at NIKE World Headquarters, One Bowman Drive, Beaverton, Oregon 97005-6453. A formal notice of the Annual Meeting, together with the proxy statement, proxy cards, and admission ticket, will be mailed to shareholders.

**INDEPENDENT ACCOUNTANTS**

*Pricewaterhouse LLP*  
121 S.W. Morrison, Suite 1800  
Portland, Oregon 97204

**REGISTRAR AND STOCK TRANSFER AGENT**

*Frost Chicago Trust Co. of New York*  
PO Box 2560  
Jersey City, NJ 07302-2502  
(201) 326-6498

**PUBLICATIONS**

Copies of the Company's Form 10-K or Form 10-Q reports filed with the Securities and Exchange Commission are available from the Company without charge. To request a fax copy, please call 1-800-784-6453 or write to NIKE's Investor Relations Department at the World Headquarters address above.

**DIVIDEND PAYMENTS**

Quarterly dividends on NIKE common stock, when declared by the Board of Directors, are paid on or about July 2, October 1, January 3, and April 1. The Company does not currently offer a dividend reinvestment program.

**INVESTOR INQUIRIES**

Securities analysts, investment managers and others seeking information about the Company should write or call NIKE's Investor Relations Department at the World Headquarters address, 1-800-427-6453.

**OTHER SHAREHOLDER ASSISTANCE**

Communications concerning shareholder address changes, stock transfers, changes of ownership, lost stock certificates, payment of dividends, dividend check replacements, duplicate mailings, or other account services should be directed to the Company's Registrar and Stock Transfer Agent at the address or telephone number above.

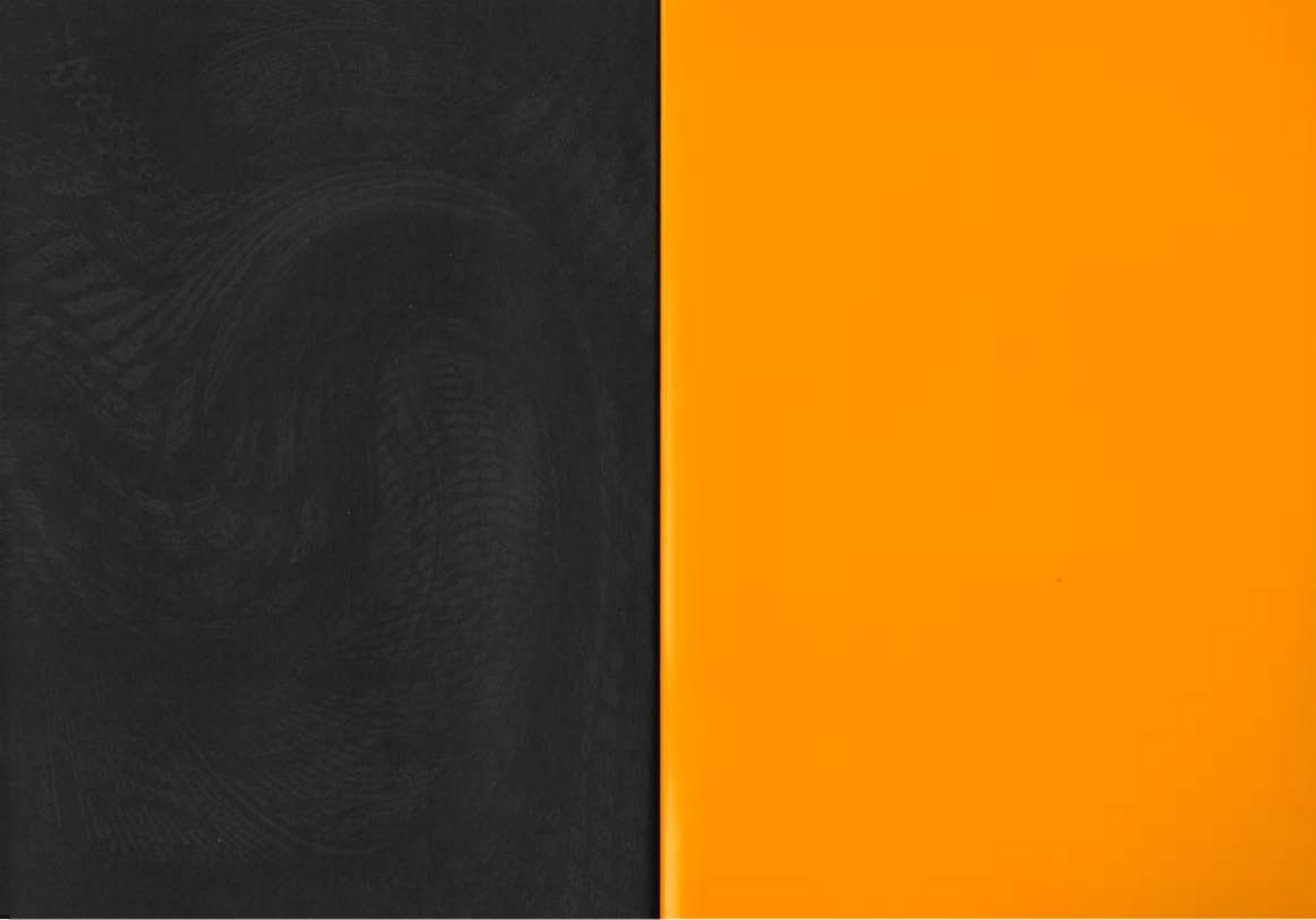
**CORPORATE GIVING PROGRAM**

NIKE's JUST DO IT Fund supports unique educational programs for inner-city youth. Detailed information on the program may be obtained by calling (503) 471-3637 or writing to NIKE, Inc., JUST DO IT Fund, Attention: Public Affairs at the World Headquarters address.

**NINE P.L.A.Y.**

P.L.A.Y. - Participate in the Lives of America's Youth - is NIKE's initiative to support the rights of kids everywhere to get and stay active. By encouraging activism at all levels, NIKE aims to provide opportunities and facilities for kids to pursue the fitness and fun they deserve. To learn more about P.L.A.Y., call 1-800-929-P.L.A.Y.

(1) Member - Executive Committee  
(2) Member - Audit Committee  
(3) Member - Finance Committee  
(4) Member - Personnel Committee  
(5) Member - Compensation Plan Subcommittee





**NIKE, INC. ONE BOWERMAN DRIVE BEAVERTON, OREGON 97005**

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