

attract and retain qualified personnel; and other factors referenced or incorporated by reference in this report and other reports.

The risks included here are not exhaustive. Other sections of this report may include additional factors which could adversely affect NIKE's business and financial performance. Moreover, NIKE operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on NIKE's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Investors should also be aware that while NIKE does, from time to time, communicate with securities analysts, it is against NIKE's policy to disclose to them any material non-public information or other confidential commercial information. Accordingly, shareholders should not assume that NIKE agrees with any statement or report issued by any analyst irrespective of the content of the statement or report. Furthermore, NIKE has a policy against issuing or confirming financial forecasts or projections issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not the responsibility of NIKE.

#### **Item 8. *Financial Statements and Supplemental Data***

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.

Our 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. 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 NIKE 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

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

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(A)(1) on page 55 present fairly, in all material respects, the financial position of NIKE, Inc. and its subsidiaries at May 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 2002 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(A)(2) on page 55 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, 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 our opinion.

As discussed in Note 1 to the consolidated financial statements, effective June 1, 2001, the Company changed its method of accounting for derivative instruments in accordance with Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" and Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities."

/s/ PRICEWATERHOUSECOOPERS LLP

Portland, Oregon  
June 27, 2002

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

	Year Ended May 31,		
	2002	2001	2000
	(In millions, except per share data)		
Revenues .....	\$9,893.0	\$9,488.8	\$8,995.1
Costs and expenses:			
Cost of sales .....	6,004.7	5,784.9	5,403.8
Selling and administrative .....	2,820.4	2,689.7	2,606.4
Interest expense (Notes 4 and 5) .....	47.6	58.7	45.0
Other income/expense, net (Notes 1, 10 and 11) .....	3.0	34.1	20.7
Total costs and expenses .....	8,875.7	8,567.4	8,075.9
Income before income taxes and cumulative effect accounting change...	1,017.3	921.4	919.2
Income taxes (Note 6) .....	349.0	331.7	340.1
Income before cumulative effect of accounting change .....	668.3	589.7	579.1
Cumulative effect of accounting change, net of income taxes of \$3.0 (Note 1) .....	5.0	—	—
Net income .....	\$ 663.3	\$ 589.7	\$ 579.1
Basic earnings per common share — before accounting change (Notes 1 and 9) .....	\$ 2.50	\$ 2.18	\$ 2.10
Cumulative effect of accounting change .....	0.02	—	—
	\$ 2.48	\$ 2.18	\$ 2.10
Diluted earnings per common share — before accounting change (Notes 1 and 9) .....	\$ 2.46	\$ 2.16	\$ 2.07
Cumulative effect of accounting change .....	0.02	—	—
	\$ 2.44	\$ 2.16	\$ 2.07

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

**NIKE, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	<b>May 31,</b>	
	<b>2002</b>	<b>2001</b>
	<b>(In millions)</b>	
<b>ASSETS</b>		
Current Assets:		
Cash and equivalents . . . . .	\$ 575.5	\$ 304.0
Accounts receivable, less allowance for doubtful accounts of \$77.4 and \$72.1 . . . . .	1,807.1	1,621.4
Inventories (Note 2) . . . . .	1,373.8	1,424.1
Deferred income taxes (Notes 1 and 6) . . . . .	140.8	113.3
Prepaid expenses and other current assets (Note 1) . . . . .	260.5	162.5
Total current assets . . . . .	4,157.7	3,625.3
Property, plant and equipment, net (Note 3) . . . . .	1,614.5	1,618.8
Identifiable intangible assets and goodwill, net (Note 1) . . . . .	437.8	397.3
Deferred income taxes and other assets (Notes 1 and 6) . . . . .	233.0	178.2
Total assets . . . . .	\$6,443.0	\$5,819.6
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Current portion of long-term debt (Note 5) . . . . .	\$ 55.3	\$ 5.4
Notes payable (Note 4) . . . . .	425.2	855.3
Accounts payable (Note 4) . . . . .	504.4	432.0
Accrued liabilities (Note 15) . . . . .	768.3	472.1
Income taxes payable . . . . .	83.0	21.9
Total current liabilities . . . . .	1,836.2	1,786.7
Long-term debt (Notes 5 and 14) . . . . .	625.9	435.9
Deferred income taxes and other liabilities (Notes 1 and 6) . . . . .	141.6	102.2
Commitments and contingencies (Notes 13 and 15) . . . . .	—	—
Redeemable Preferred Stock (Note 7) . . . . .	0.3	0.3
Shareholders' Equity:		
Common Stock at stated value (Note 8):		
Class A convertible — 98.1 and 99.1 shares outstanding . . . . .	0.2	0.2
Class B — 168.0 and 169.5 shares outstanding . . . . .	2.6	2.6
Capital in excess of stated value . . . . .	538.7	459.4
Unearned stock compensation . . . . .	(5.1)	(9.9)
Accumulated other comprehensive loss . . . . .	(192.4)	(152.1)
Retained earnings . . . . .	3,495.0	3,194.3
Total shareholders' equity . . . . .	3,839.0	3,494.5
Total liabilities and shareholders' equity . . . . .	\$6,443.0	\$5,819.6

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

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

	Year Ended May 31,		
	2002	2001	2000
	(In millions)		
<b>Cash provided (used) by operations:</b>			
Net income .....	\$ 663.3	\$ 589.7	\$ 579.1
Income charges not affecting cash:			
Depreciation .....	223.5	197.4	188.0
Deferred income taxes .....	15.2	79.8	36.8
Amortization and other .....	53.1	16.7	35.6
Income tax benefit from exercise of stock options .....	13.9	32.4	14.9
Changes in certain working capital components:			
Increase in accounts receivable .....	(135.2)	(141.4)	(82.6)
Decrease (increase) in inventories .....	55.4	(16.7)	(311.8)
Decrease in other current assets and income taxes receivable .....	16.9	78.0	61.2
Increase (decrease) in accounts payable, accrued liabilities and income taxes payable .....	175.4	(179.4)	178.4
Cash provided by operations .....	<u>1,081.5</u>	<u>656.5</u>	<u>699.6</u>
<b>Cash provided (used) by investing activities:</b>			
Additions to property, plant and equipment and other .....	(282.8)	(317.6)	(419.9)
Disposals of property, plant and equipment .....	15.6	12.7	25.3
Increase in other assets .....	(39.1)	(42.5)	(51.3)
Increase in other liabilities .....	3.5	5.1	5.9
Cash used by investing activities .....	<u>(302.8)</u>	<u>(342.3)</u>	<u>(440.0)</u>
<b>Cash provided (used) by financing activities:</b>			
Proceeds from long-term debt issuance .....	329.9	—	—
Reductions in long-term debt including current portion .....	(80.3)	(50.3)	(1.7)
(Decrease) increase in notes payable .....	(431.5)	(68.9)	505.1
Proceeds from exercise of stock options and other stock issuances .....	59.5	56.0	23.9
Repurchase of stock .....	(226.9)	(157.0)	(646.3)
Dividends — common and preferred .....	(128.9)	(129.7)	(133.1)
Cash used by financing activities .....	<u>(478.2)</u>	<u>(349.9)</u>	<u>(252.1)</u>
Effect of exchange rate changes .....	(29.0)	85.4	48.7
Net increase in cash and equivalents .....	271.5	49.7	56.2
Cash and equivalents, beginning of year .....	<u>304.0</u>	<u>254.3</u>	<u>198.1</u>
Cash and equivalents, end of year .....	<u>\$ 575.5</u>	<u>\$ 304.0</u>	<u>\$ 254.3</u>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid during the year for:			
Interest .....	\$ 54.2	\$ 68.5	\$ 45.0
Income taxes .....	262.0	173.1	221.1
<b>Non-cash investing and financing activity:</b>			
Assumption of long-term debt to acquire property, plant and equipment ..	—	—	\$ 108.9

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

NIKE, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Class B	Amount	Capital in Excess of Stated Value	Unearned Stock Compensation	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Class A	Shares							
	Shares	Amount	Shares	Amount					
	(In millions, except per share data)								
<b>Balance at May 31, 1999</b>	100.7	0.2	181.6	2.7	334.1	—	(68.9)	3,066.5	3,334.6
Stock options exercised			1.3		38.7				38.7
Conversion to Class B Common Stock	(1.5)		1.5						
Repurchase of Class B Common Stock			(14.5)	(0.1)	(17.3)			(627.1)	(644.5)
Dividends on Common stock (\$ .48 per share)								(131.5)	(131.5)
Issuance of shares to employees			0.5		13.5	(13.5)			—
Amortization of unearned compensation						1.8			1.8
Comprehensive income:									
Net income								579.1	579.1
Foreign currency translation (net of tax expense of \$1.2)							(42.2)		(42.2)
Comprehensive income							(42.2)	579.1	536.9
<b>Balance at May 31, 2000</b>	99.2	0.2	170.4	2.6	369.0	(11.7)	(111.1)	2,887.0	3,136.0
Stock options exercised			2.9		91.0				91.0
Conversion to Class B Common Stock	(0.1)		0.1						—
Repurchase of Class B Common Stock			(4.0)		(4.8)			(152.2)	(157.0)
Dividends on Common stock (\$ .48 per share)								(129.6)	(129.6)
Issuance of shares to employees			0.1		6.7	(6.7)			—
Amortization of unearned compensation						7.3			7.3
Forfeiture of shares from employees					(2.5)	1.2		(0.6)	(1.9)
Comprehensive income:									
Net income								589.7	589.7
Foreign currency translation and other (net of tax benefit of \$2.4)							(41.0)		(41.0)
Comprehensive income							(41.0)	589.7	548.7
<b>Balance at May 31, 2001</b>	99.1	\$0.2	169.5	\$ 2.6	\$459.4	\$ (9.9)	\$(152.1)	\$3,194.3	3,494.5
Stock options exercised			1.7		72.9				72.9
Conversion to Class B Common Stock	(1.0)		1.0						—
Repurchase of Class B Common Stock			(4.3)		(5.2)			(232.5)	(237.7)
Dividends on Common stock (\$ .48 per share)								(128.6)	(128.6)
Issuance of shares to employees and others			0.2		13.2	(1.9)			11.3
Amortization of unearned compensation						6.5			6.5
Forfeiture of shares from employees			(0.1)		(1.6)	0.2		(1.5)	(2.9)
Comprehensive income (Note 12):									
Net income								663.3	663.3
Other comprehensive income (net of tax benefit of \$17.4):									
Foreign currency translation							(1.5)		(1.5)
Cumulative effect of change in accounting principle (Note 1)							56.8		56.8
Adjustment for fair value of hedge derivatives							(95.6)		(95.6)
Comprehensive income							(40.3)	663.3	623.0
<b>Balance at May 31, 2002</b>	98.1	\$0.2	168.0	\$ 2.6	\$538.7	\$ (5.1)	\$(192.4)	\$3,495.0	\$3,839.0

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