

JUNE 1, 1994 Day one of the best year in NIKE history



1995

FINANCIAL HIGHLIGHTS

(in thousands, except per share data.)

| | 1995 | 1994 | % Change |
|-----------------------------|-------------|-------------|----------|
| <i>Year Ended May 31:</i> | | | |
| Revenues | \$4,760,854 | \$3,789,658 | 25.9% |
| Gross margin | 1,895,554 | 1,488,245 | 27.4% |
| Gross margin % | 39.8% | 39.3% | — |
| Net income | 399,664 | 298,794 | 33.8% |
| Net income per common share | 5.44 | 3.96 | 37.4% |
| Return on equity | 21.7% | 17.2% | 22.6% |
| Stock price at May 31 | 78 1/4 | 58 | 33.7% |

SELECTED QUARTERLY FINANCIAL DATA (unaudited)

| (in thousands, except per share data.) | 1st Quarter | | 2nd Quarter | | 3rd Quarter | | 4th Quarter | |
|--|-------------|-------------|-------------|-----------|-------------|-----------|-------------|-------------|
| | 1995 | 1994 | 1995 | 1994 | 1995 | 1994 | 1995 | 1994 |
| Revenues | \$1,170,315 | \$1,197,828 | \$1,053,746 | \$805,789 | \$1,124,697 | \$871,845 | \$1,412,016 | \$1,004,116 |
| Gross margin | 469,968 | 440,971 | 415,715 | 309,661 | 446,291 | 334,779 | 565,638 | 401,734 |
| Gross margin % | 40.2% | 39.7% | 39.5% | 38.4% | 39.7% | 38.4% | 40.1% | 40.2% |
| Net income | 105,687 | 114,500 | \$4,939 | 52,295 | 95,549 | 61,233 | 121,189 | 69,164 |
| Net income per common share | 1.43 | 1.49 | 1.16 | 0.69 | 1.29 | 0.83 | 1.56 | 0.93 |
| Dividends declared per common share | 0.20 | 0.20 | 0.21 | 0.20 | 0.21 | 0.20 | 0.25 | 0.20 |
| Price range of common stock | | | | | | | | |
| High | 66 1/4 | 74 1/4 | 66 1/4 | 54 1/4 | 76 1/2 | 52 1/4 | 80 1/4 | 61 1/4 |
| Low | 16 1/4 | 49 1/4 | 18 1/4 | 41 1/4 | 61 1/4 | 43 1/4 | 70 1/4 | 50 1/2 |

TO THE SHAREHOLDERS

I have been Chairman of NIKE for 23 years, but I have not been Chairman of the same company for 23 years.

NIKE has gone through enormous changes in that time.

It has been a swashbuckling, entrepreneurial, independent company; a youthful public company; a struggling teenage company; a reawakened young adult company.

Through all the many ups and downs of the last 23 years, we have never, not even in years when sales declined, thought of ourselves as anything but a growth company. That includes last year; the dip would be, beyond all doubt, temporary. It is a state of mind more than anything tangible or anything a single-year measure of economic performance would indicate. As part of that growth mentality, we would, while we were at it... aim high.

Too high, said many. Unlike them, we were not surprised that we had the greatest year in industry history in 1995.

Not just a little better year, but the kind of year that makes you want to spike the ball in the end zone, take a victory lap pointing to the sky, do a 360 slam dunk, bang by the rim, and do a little trash talkin' into the next fiscal year.

While this was going on — or maybe because of it — the industry began to change, one of those changes where there are large shifts between the competitive companies. Even while trying to keep up with all that, we met our current strategic objectives:

First, make strides toward becoming a global company, not just a company doing business internationally. Make the effort to communicate, internally and externally, on a global basis. And to manage, as one brand around the world, our opportunities:

To grow and develop the European management team

To establish ourselves as a real apparel company

To truly get "on the board" in the world's most international game — soccer

To establish roots in ice hockey, the fastest growing team sport in North America

To expand our positioning in women's sports and fitness.

Still, I must confess that even in good times such as these, as I sit down to write this letter, I become angry and frustrated.

That deserves an explanation. Let's take a look at the last decade of NIKE:

| | 1985 | 1995 |
|----------------------|------------|-------------|
| Sales | \$ 946,371 | \$4,760,834 |
| Gross profit % | 26.3% | 39.8% |
| Operating margin % | 4.7% | 14.4% |
| Net Income after tax | 10,270 | 399,664 |
| Earnings per share | 0.14 | 5.44 |
| May 31 stock price | 5.56 | 78.88 |

The value of NIKE stock increased more than 13 times while the S&P 500 grew less than three-fold in the same time period. (Yes, I am comparing a good year against a bad year. It's something I learned watching economic discussions during presidential campaigns.)

If you show this record to investment analysts without identifying the company, an experiment we have done, they will say it deserves a price/earnings multiple in excess of the S&P 500. Only after the company's name is revealed does the consensus move to a multiple at a discount from the market.

This points out an interesting if somewhat painful paradox: the NIKE brand when added to a shoe or a garment adds enormous marketability; when put on its stock certificate it has an equally powerful impact — in the opposite direction.

This brings us back to my frustration and, I am sad to say, the futility of this document. It simply does not matter what we say in words or put in numbers in the annual report. This poor little binder is simply overwhelmed by electronic and print sound bites, or ignored by the show biz-oriented media who convey a point of view in conflict with "sound investment".

As Director John Jaqua says, "This has reached the point of ridiculousity."

So how, in that world, can you understand the who, what, when, where and why of any company, especially one as controversial as NIKE?

The sad answer: Can't really. It would be easy if we could bring everybody to the NIKE Campus, or take everybody to

the Final Four, or the Olympic Trials, or the World Cup, or a Nebraska high school football game, or a pick-up game on 125th Street. That's the world NIKE lives in. But, we can't do that.

Instead, we'll send our managers back to do what they do: develop and grow the best global company possible, and let the hurricane of media hype blow on around us.

As to our major goal of globalization, Director Ken Ohmae said a year ago it would take ten more years. I said we could do it in five. A year later, I believe Dr. Ohmae is the better forecaster. It is simply more complicated than I imagined. But one thing is certain, if we do achieve our global goals we will have something of real value. And we are making progress.

Four years ago, when I talked about two Americans, a Swede and a Frenchman who had gone to climb the Matterhorn before opening our new European Headquarters, we had nary a national as a country manager in Europe. Today, every major country is headed by a citizen of that country. In the process sales have turned back up in Europe, a contribution far more significant than anyone has noted in writing to date. Asia is on the threshold of the greatest regional growth in industry history. And Latin America has positioned itself where Asia was two years ago.

Also four years ago we talked about being a \$6 billion company in five years. As we approach FY '96, with some very liberal rounding, we believe we're gonna be close enough. So the challenge moves ever higher — be an 11-digit company.

It is possible. But, as before, the number is out there to remind people there is plenty of growth in the things we are doing. The trick is to do them well and position for greater growth later on. Then the goal will be to get our price/earnings multiple up to average and lead the industry to a respectable multiple. Then, to transcend the industry.

NIKE accepts that challenge. It seems like a worthwhile objective, and a growth mentality thrives on change. It fits our state of mind. We will aim high.



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



JUNE 2, 1994 Fan favorite Mary Pierce defeats the top seed in straight sets to reach the French Open final. **JUNE 3, 1994** Tommy Armour III wins the NIKE Miami Valley Open in Springboro, Ohio. **JUNE 9, 1994** Staffers at NIKE's World IDEA Convention sell the shoes right off their feet to pleading customers. **JUNE 10, 1994** Dan O'Brien, decathlon world record holder, joins NIKE. **JUNE 13, 1994** NIKE and Wieden & Kennedy announce the creation of a new series of spots starring Stanley Craver, aka Dennis Hopper. **JUNE 17, 1994** Here today, Saigon tomorrow NIKE announces it will be the first footwear company to set up shop in Vietnam, and will begin sourcing from four factories in Ho Chi Minh City by mid-1995. **JUNE 22, 1994** Ken Griffey Jr. of the Seattle Mariners hits another one breaking Babe Ruth's record for most dingers hit by the end of June. The Maris Watch is on. **JUNE 24, 1994** NIKE is named "Advertiser of the Year" at the Cannes International Advertising Festival. **JUNE 24, 1994** Jeff Bagwell of the Houston Astros becomes only the 28th major leaguer to homer twice in one inning. For good measure, he hits his third of the game two innings later. **JUNE 25, 1994** Headquartered on the Cal-Davis campus, The 11th NIKE Volleyball Festival begins a weeklong competition using more than 100 courts at nearly 50 sites. **JULY 3, 1994** Pete Sampras completes his debut as a NIKE athlete with his second straight title at Wimbledon. **JULY 5, 1994** Mike Powell, Michael Johnson, Jon Drummond and André Cason host 250 kids at a clinic organized by NIKE Switzerland. **JULY 6, 1994** NIKE sponsors its first track and field meet in Lausanne, Switzerland. **JULY 10, 1994** NIKE Belgium holds a fitness workout on the beach in Ostende with 1,500 men and women participating. **JULY 11, 1994** The U.S. Major Indoor Lacrosse League announces that NIKE is its "Official Footwear Supplier." **JULY 11, 1994** NIKE presents Inner-City Games founder Danny Hernandez with a check for \$100,000 in support of the sports festival created to give inner-city youth an alternative to drugs and gangs. **JULY 12, 1994** Major League Baseball's All-Star Game in Pittsburgh features 32 players with more than half in NIKE spikes. **JULY 18, 1994** The World Cup goes to the Brazilian team, including 10 NIKE players. **JULY 19, 1994** In Taiwan, Chen Hsin breaks the "league total win" record for Taiwan's pro league by winning his 65th game in less than four years. **JULY 27, 1994** Detroit Tigers skipper Sparky Anderson moves into fourth place on the all time

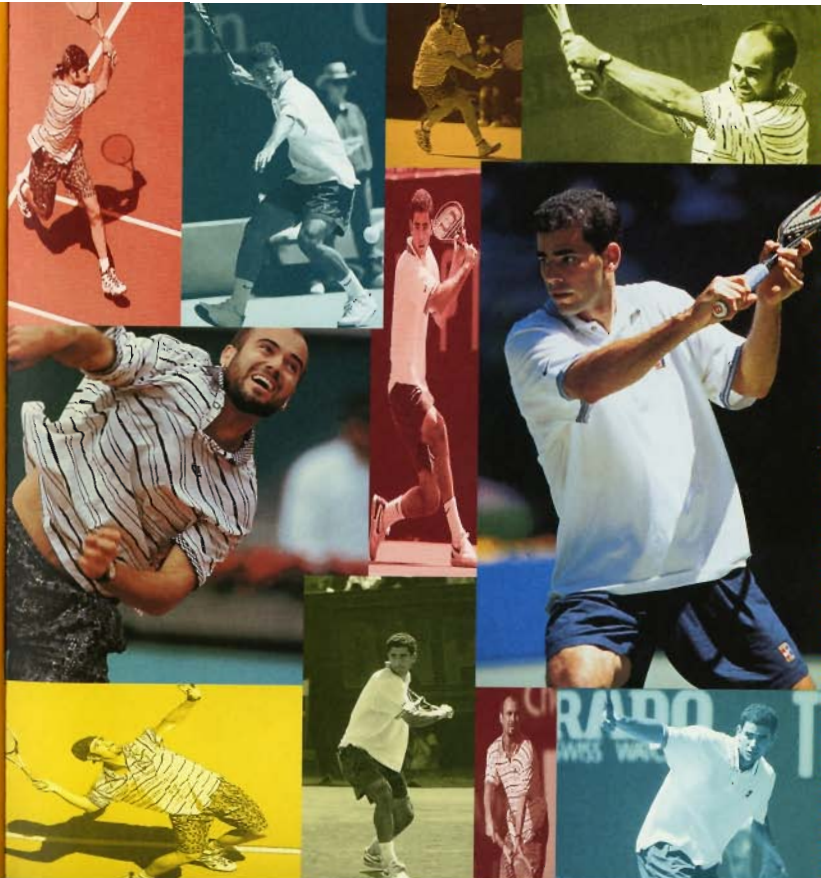
JUNE 26, 1994 Outdoor athletes get their first glimpse of the new Air Mada, a shoe that reinforces NIKE's position as the only athletic company that is a leader in the outdoor business. Like NIKE did with cross-training in the late '80s, the Air Mada and other shoes are defining "approach" activity, bridging the gap between rugged walking and technical boots. FY '95 also marks ACG's ascent to the #1 position in the sport sandal and hiking categories. With outdoor revenues up 48% in FY '95, ACG is proving it possible to extend leadership in key categories, create new business and seize market share. In essence, ACG is a sub-brand that outdoor consumers and retailers recognize as the premier source of athletic technology. With incredibly broad user demographics and obvious connections to the heritage and equities of NIKE, the future of ACG looks rock solid.

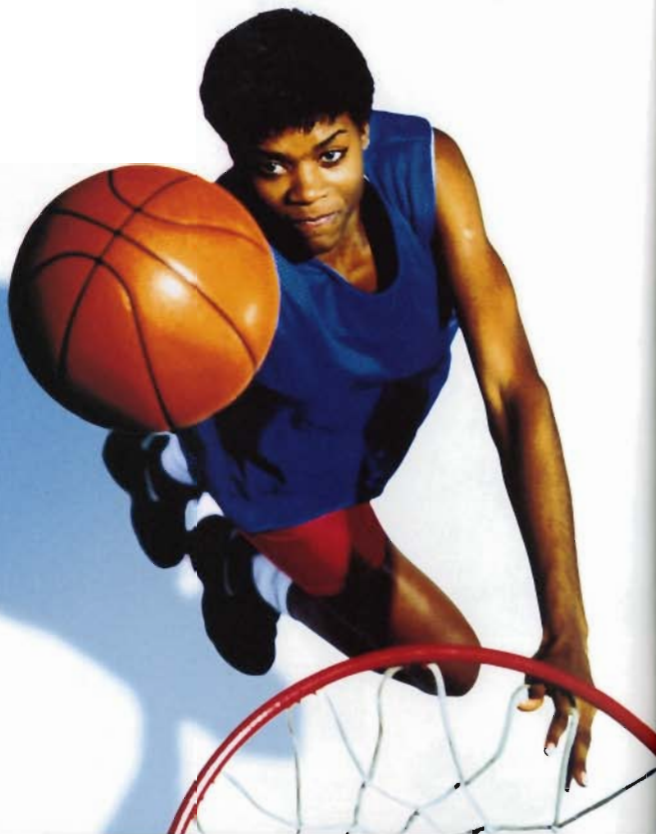
All Conditions Gear™ combines athletic technology and a 20-year heritage in outdoor products to lead the industry.

JULY 3, 1994 Pete Sampras, the top-ranked tennis player in the world, wins his second consecutive Wimbledon championship less than a month after signing with NIKE. But that's only half the story. The other half is the explosive player from Las Vegas who grabbed the tennis world by the throat seven years ago and hasn't let loose since, Andre Agassi. Together they are leaving crowds in bug-eyed wonder at the greatest rivalry tennis has seen in years. Agassi, the man they said couldn't win a Grand Slam event, now with cups from Wimbledon, the U.S. Open and the Australian Open. Sampras, the consummate pro, a true Grand Slam champion and #1 player in the world entering the year. The best serve battling the best return of serve in a high-strung fight for the top spot in the ATP computer. That's NIKE tennis.

Andre Agassi and Pete Sampras, a gentleman and a gentler man, wage a war of the racquets in tennis' greatest rivalry.

managerial win list with 2,126. Anderson is not only the oldest manager in baseball, but also allegedly the oldest man named Sparky. **JULY 30, 1994** NIKE Italy opens its third Urban Jungle Gym Playground in Caserta, with a special exhibition by Vincenzo Esposito. **JULY 30, 1994** After blasting his first home run, Michael Jordan points to the sky in tribute to his late father. **JULY 30, 1994** San Francisco Giants slugger Matt Williams hits his 40th home run of the season setting a National League record for homers hit by the end of July. **JULY 31, 1994** Andre Agassi, showing no ill-effects of a nagging wrist injury, wins the \$1.5 million Canadian Open in Toronto. **JULY 31, 1994** In Italy, Sergei Bubka sets a world pole vault record for the 35th time. **JULY 31, 1994** Former Philadelphia Phillies left-hander Steve Carlton, a career 300-game winner and second all-time in career strikeouts, is inducted into the Baseball Hall of Fame. **AUGUST 1, 1994** Baltimore Orioles ironman shortstop Cal Ripken Jr. plays in his 2,000th consecutive game. The next closest active player is Jeff Canine with 266 straight games. **AUGUST 1, 1994** A NIKE-only store opens in St. Petersburg, Russia, where customers wait in queues 150 meters long. **AUGUST 5, 1994** Atlanta Braves first baseman Fred McGriff becomes just the ninth major league player in history to hit 30 or more home runs in seven consecutive seasons. **AUGUST 8, 1994** Arsenal appears at Highbury for the first time in their new NIKE kit and wins the Makita Trophy. Ian Wright scores the winning goal. **AUGUST 8, 1994** Soccer überwoman Mia Hamm leads the U.S. women's team to victory in the inaugural Chiquita Cup. Hamm later is selected the 1994 U.S. Soccer Federation Player of the Year. **AUGUST 11, 1994** Ken Griffey Jr. hits a grand slam for his 40th home run in what is to be his last baseball game of the year. At season's end, NIKE athletes clean up: MVP National League Jeff Bagwell (Astros), Cy Young National League Greg Maddux (Braves), Rookie of the Year National League Raul Mondesi (Dodgers), Manager of the Year National League Felipe Alou (Expos). **AUGUST 13, 1994** The NIKE NZ cross-country championships are held in Christchurch, New Zealand. **AUGUST 15, 1994** Michael Jordan dedicates another NIKE PLAY basketball court, built in a public housing development in Memphis from recycled NIKE shoes. **AUGUST 16, 1994** California Gold, a team of high school hoops players, takes first place in the 1994 NIKE Scholastic Festival in Deerfield, Illinois. **AUGUST 16, 1994** NIKE

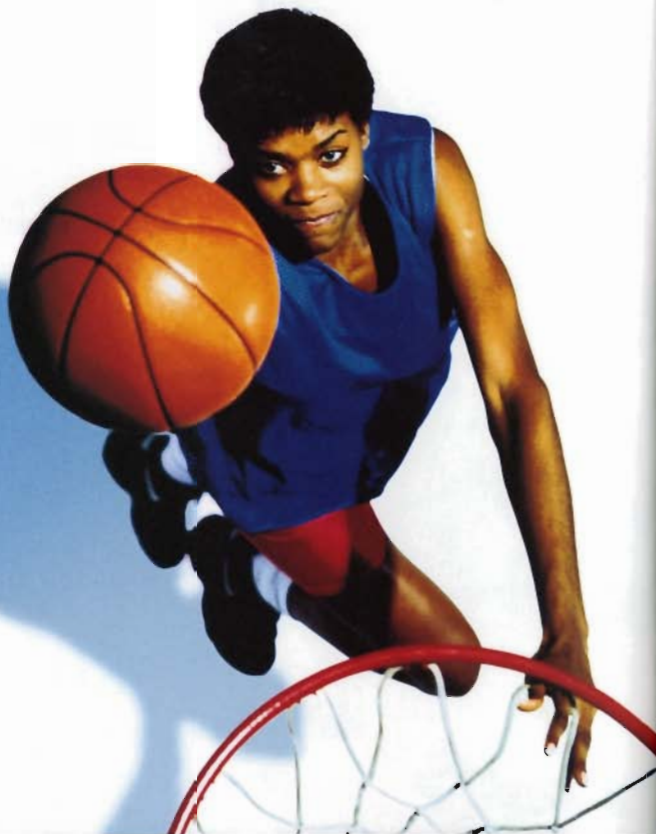




stock reaches a 52-week high. **AUGUST 17, 1994** NIKE launches the "Play ball. Please" campaign with a series of eight national commercials, politely asking for an end to the Major League Baseball strike. **AUGUST 18, 1994** The Town and Country Mavericks win the national NIKE/Triple Crown 3-on-3 Soccer Shootout. **AUGUST 19, 1994** NIKE has plans to build NIKE TOWN New York City. **AUGUST 20, 1994** The #1 Florida State Seminoles will be the first college team to take the field in NIKE-designed uniforms. **AUGUST 24, 1994** The USA Today/CNN Top 25 Coaches' College Football Poll says 20 of the 25 top schools are wearing NIKE. **AUGUST 25, 1994** The U.S. Women's National Soccer Team finishes the CanCaCaf with a 6-0 victory over Canada, advancing to the World Championships. NIKE Canada strikes back with a sales increase of more than 30% for the year. **AUGUST 27, 1994** Alonzo Mourning, hot off his gold medal-winning performance on Dream Team II, participates in a goodwill tour of South Africa where he meets with President Nelson Mandela. **AUGUST 28, 1994** In Rieti, Italy, Jon Drummond defeats World and Olympic champion Linford Christie in the 100M with a time of 9.99. **AUGUST 31, 1994** In the first-ever battle between two NIKE-sponsored soccer teams in the Chinese Premier A-Division, Sichuan blasts visiting Beijing, 4-1. **SEPTEMBER 4, 1994** The National Football League regular season begins today with 17 of the 28 starting quarterbacks wearing NIKE cleats. **SEPTEMBER 6, 1994** NIKE signs Mexican soccer superstar Jorge Campos. **SEPTEMBER 7, 1994** In New Zealand, NIKE athlete Gavin Lovegrove wins a bronze medal in the javelin at the Commonwealth Games. **SEPTEMBER 9, 1994** Scottie Pippen hosts the Scottie Pippen Ameritech All-Star Classic at Chicago Stadium. Michael Jordan steals the show with 52 points. The event raises more than \$175,000 for youth charities, and is the final game ever to be played in the historic stadium. **SEPTEMBER 11, 1994** Andre Agassi defeats German Michael Stich to become the first unseeded player at the U.S. Open to win the men's title since Fred Stolle in 1965. **SEPTEMBER 12, 1994** "Working Mother" magazine lists NIKE among its 100 top companies for working moms. **SEPTEMBER 15, 1994** Deion Sanders announces that he has signed a one-year contract with the San Francisco 49ers worth a potential \$1.85 million, more than enough to buy the one remaining vowel that does not appear in

AUGUST 7, 1994 Sheryl Swoopes scores 14 points in helping the U.S. women's basketball squad win a gold medal at the Goodwill Games. The performance helps her win a spot on the Olympic squad. Later NIKE announces the Air Swoopes basketball shoe, only the second time NIKE has named a shoe after an athlete. Swoopes is one of six NIKE players on the Women's U.S.A. Basketball National Team. They and women like Jackie Joyner-Kersey, Gabrielle Reece, Mary Pierce and Picabo Street all represent the talent and commitment that excellence requires. They are exceptional role models, and the women they inspire have helped NIKE's global revenues increase 28% in women's footwear and apparel. High performance and high access are the keys, providing women the NIKE connections to technology, innovation and authenticity. Because the word athlete has no gender.

Sheryl Swoopes, leader of the Women's U.S.A. Basketball National Team.



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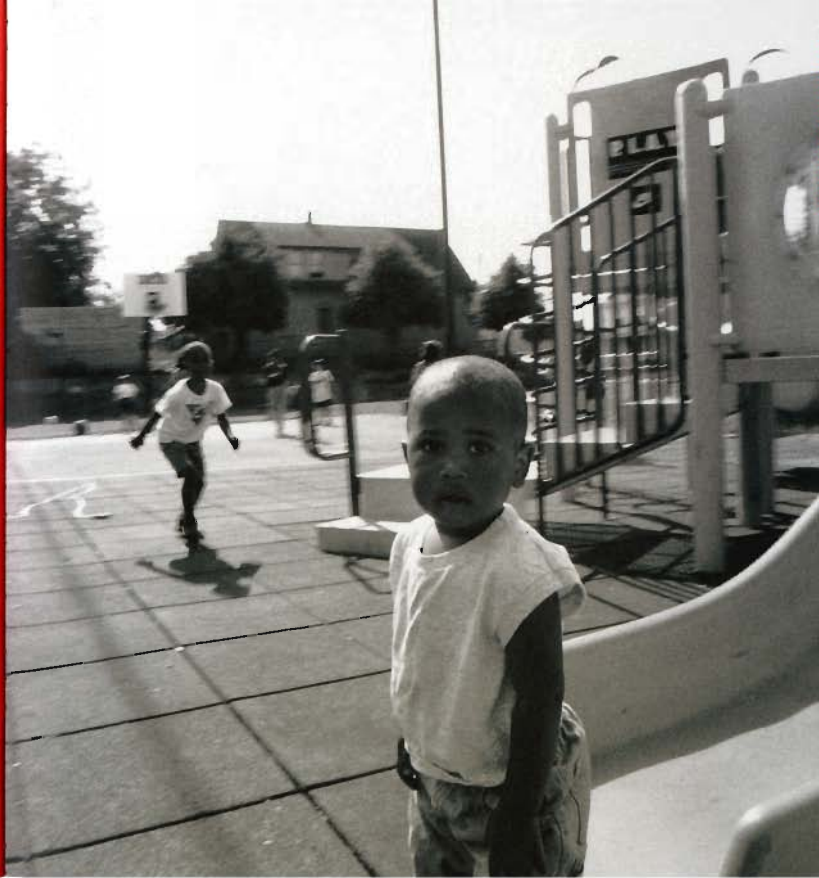
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Sheryl Swoopes, leader of the Women's U.S.A. Basketball National Team.

OCTOBER 3, 1994 Ken Griffey Jr. joins 100 kids to dedicate Portland's newest playground, a 4,000-square-foot facility created from 25,000 pairs of recycled NIKE shoes. In Oakland NIKE works to rebuild play areas that have been declared unsafe for kids. These are just two of several projects taking place in 10 major U.S. urban centers. P.L.A.Y. stands for Participate in the Lives of America's Youth, a program based on the belief that every kid has the inalienable right to be a kid, to play, to enjoy safe facilities and to benefit from the involvement of concerned parents, coaches and teachers. In addition to P.L.A.Y.'s hands-on involvement at the local level, the NIKE P.L.A.Y. Foundation provides funding opportunities for qualified organizations committed to the health and well-being of our nation's kids.

P.L.A.Y. - Participate in the Lives of America's Youth - is NIKE's initiative to create more sports and fitness opportunities for kids.

his name. **SEPTEMBER 18, 1994** 15,000 runners join Holland's 10th Dam to Dam 10-miler between Amsterdam and Zaandam. Charles Onyiah of Kenya crosses the line first. **SEPTEMBER 19, 1994** First-quarter revenues are up to a record \$1.17 billion. Andre Agassi, sans Brooks, appears at the Annual Meeting. **SEPTEMBER 21, 1994** In Washington, D.C., 650 runners, including 26 members of Congress, compete in the 14th Annual NIKE Capital Challenge, raising \$9,200 for the D.C. Special Olympics. **SEPTEMBER 22, 1994** Amid persistent rumors that he's changing his nickname to "Pleatnik," Arlenes Hardaway opens Europe's first Reuse-A-Shoe court in Berlin. **SEPTEMBER 24, 1994** Today kicks off a two-day tournament in Lyon, France, where NIKE has built its eighth playground. Approximately 2,500 people attend. **SEPTEMBER 24, 1994** Scherezade Alvear, one of NIKE Chile's marathoners, beats 5,000 runners to win the Caja De Compensacion Road Race. **SEPTEMBER 25, 1994** In Singapore, more than 25,000 runners try the annual Sheares Bridge Run sponsored by NIKE. **SEPTEMBER 25, 1994** In France, Vincent Rousseau wins the Paris-Versailles Road Race, with a time of 49:02. The race, sponsored by NIKE for three years, attracts some 22,000 participants. **SEPTEMBER 25, 1994** In Portland, the Race For The Cure is won by Annette Peters. Money raised by this race goes to breast cancer research and mammography services for local, low-income women. **SEPTEMBER 26, 1994** NIKE reserves half the available billboard space in Atlanta for the Olympics. **SEPTEMBER 27, 1994** Jorge Campos wins the "Citalli" Award as the "Best Goalkeeper of Mexico." **SEPTEMBER 28, 1994** In New Zealand, the NIKE-sponsored Nelson Giants win the National Basketball League Championships. **SEPTEMBER 29, 1994** NIKE gold medalists from the European Championships in Helsinki include: Privalova, Russia, 100M; Dimitrova, Bulgaria, 100M hurdles; Privalova, Russia, 200M; Gurina, Russia, 800M; Rogachova, Russia, 1500M. **SEPTEMBER 30, 1994** Aborigine track star Cathy Freeman wins two gold medals at the Commonwealth Games (400M and 200M) and one silver (4x100M), wearing NIKE Zoom 3 spikes. **OCTOBER 1, 1994** Portland NIKE employee Kim Ames breaks the women's in-line skating 12- and 24-hour world records, as well as the men's 24-hour world record. **OCTOBER 1, 1994** NIKE Argentina begins operations. **OCTOBER 2, 1994** Spike Lee joins fellow NIKE guys Charles Oakley and Charlie Ward in unveiling a refurbished

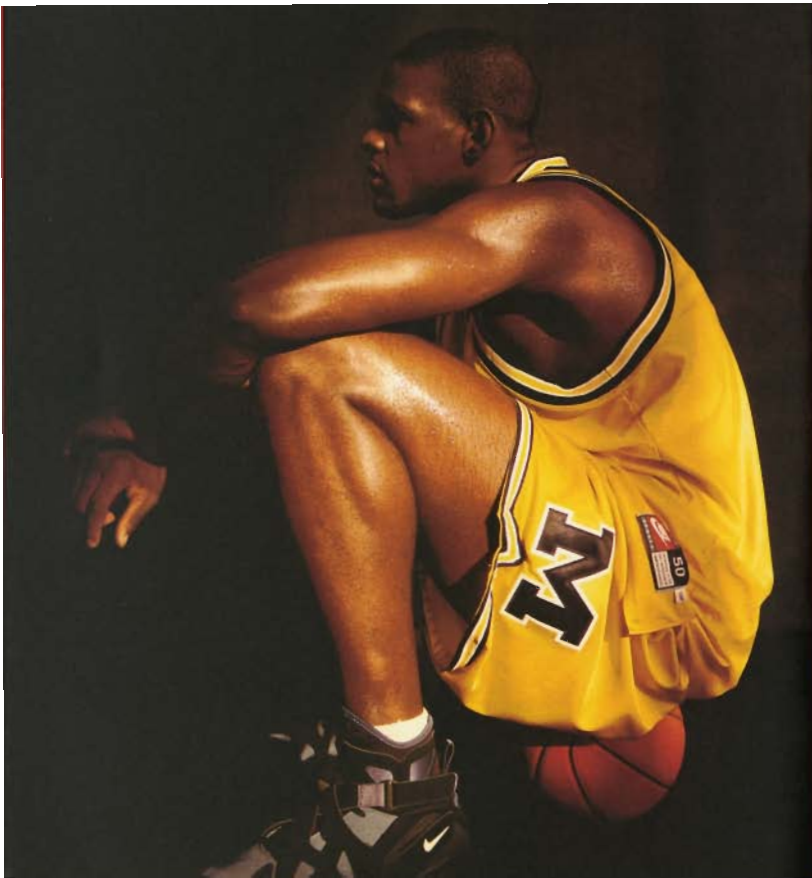


DECEMBER 14, 1994 NIKE commences the acquisition of Canstar Sports Inc., the world's largest manufacturer of hockey equipment. Why? Because hockey is the fastest-growing team sport in North America. Because it ties in to NIKE's unique partnership with the NHL to grow and market the sport worldwide. Because it is one sport with three games, hockey, roller hockey and street hockey. Because more kids in Orange County signed up for street hockey than little league this year. Because 34% of all kids 6 to 11 years old played roller hockey sometime this year. Because NIKE can provide superior product across the mix of broad access points for every game. Because Canstar's core brand, Bauer, is one of the most recognized and authentic names in hockey. Because more than 70 percent of NHL players hit the ice wearing Bauer branded skates. That's why.

Eric Lindros, Philadelphia Flyers center and winner of the 1995 Hart Trophy as the NHL's Most Valuable Player

basketball court in Brooklyn's Fort Greene Park. **OCTOBER 4, 1994** Portland, Oregon, is selected as the host for the fourth quadrennial World Masters Games to be held in August of 1998. NIKE is the title sponsor for the international games. **OCTOBER 7, 1994** Fine Line Features and NIKE announce a ground-breaking partnership to promote the new film "Hoop Dreams," later to become the best movie ever nominated for an Oscar. **OCTOBER 9, 1994** In Italy, Ornella Ferrara wins the women's race in the Venice Marathon in 2:32:16 wearing the Air Max 180 shoe. With an equally strong kick, NIKE Italy is on its way to a \$125 million year. **OCTOBER 13 - 14, 1994** The NIKE TOUR Championship is held at Portland's Pumpkin Ridge Golf Course and is broadcast on ESPN. Mike Schuchart of Lincoln, Nebraska, wins by one stroke. **OCTOBER 16, 1994** In basketball, CSKA (Moscow) defeats Spartak (Moscow) 98-88. Both teams are NIKE sponsored. **OCTOBER 17, 1994** NIKE and the University of Michigan announce an unprecedented partnership through the year 2000 for on-field team uniforms and practice gear, as well as NIKE's endowment of two women's athletic scholarships and a sports writing chair in the school's Journalist in Residence Program. **OCTOBER 26, 1994** In this week's Associated Press Top 25 college football poll, NIKE reaches an all-time high with 23 of the 25 college teams in NIKE. **OCTOBER 29, 1994** Beijing TV runs a documentary on the making of NIKE's commercial "The Wall." **NOVEMBER 3, 1994** The Royal Prince Frederik of Denmark runs the New York Marathon in NIKE shoes in a time of 3:46. **NOVEMBER 4, 1994** NIKE Spain, in the midst of record revenues, dedicates the NIKE-NBA Playground Barcelona '94 Court in Escorial Park, made from 8,700 old sport shoes collected in Spain and recycled in Germany. **NOVEMBER 6, 1994** Tegla Loroupe of Kenya wins the women's New York City Marathon with a time of 2:27:37. Amazingly, it is her debut marathon. **NOVEMBER 7, 1994** NIKE Europe is selected "Sponsor of the Year 1994" by the Finnish Athletic Amateur Association. **NOVEMBER 11, 1994** Korean President Y.S. Kim and Philippine President Ramos are seen taking a morning run together in the streets of Manila in NIKE shoes. **NOVEMBER 27, 1994** With no time left on the clock, Lui Passaglia kicks a 37-yard field goal to give the B.C. Lions a 26-23 victory in the 1994 CFL Grey Cup (Canadian Football League Championships). **DECEMBER 4, 1994** More than 100 NIKE employees from across the country





compete in the U.S.A.T.F. National Cross-Country Championships at Blue Lake Park in Troutdale, Oregon. **DECEMBER 15, 1994** At the Italian soccer championships, three of the top four teams are NIKE-sponsored. **DECEMBER 18, 1994** Mark Davis becomes the first person to break the four-minute mile in Hawaii. He does it in 3:57. **DECEMBER 19, 1994** More records: Second-quarter revenues are up 31% to \$1.05 billion. Earnings per share are on the rise. **DECEMBER 22, 1994** NIKE announces it has become the official sponsor of the three-time World Cup-winning Italian National Soccer Team. **DECEMBER 27, 1994** Many NIKE athletes break NFL records this season: Cris Carter, single season receptions with 122. Jerry Rice with 139 career touchdowns. Art Monk has the all-time reception record in consecutive games. San Francisco quarterback Steve Young is the League's MVP and Super Bowl bound. Barry Sanders takes Offensive Player of the Year. Deion Sanders is Defensive Player of the Year. And Marshall Faulk grabs Rookie of the Year. **JANUARY 2, 1995** Penn State finishes the year unbeaten and untied, including a Rose Bowl win over the Oregon Ducks. Florida State also wins, defeating their archrival Florida Gators in the Sugar Bowl. All four teams wear NIKE. **JANUARY 6, 1995** Andre Agassi is at the NIKE World Campus where he stages the Andre Agassi Look-Alike Contest. Thirty-three Agassi wannabe's shave their heads in support of the new Andre. **JANUARY 6, 1995** Atlanta Hawks bench boss Lenny Wilkens sets all-time NBA record for coaching wins (939) surpassing the mark held by Red Auerbach. **JANUARY 7, 1995** The Toronto Street Buds team is christened as the newest NIKE NHL STREET program. About 2,400 youths from 6 to 16 will compete in the Toronto grassroots street hockey league. **JANUARY 8, 1995** Mia Hamm receives the prestigious Broderick Award as the top female college athlete of the year, the first time a soccer player has won. **JANUARY 9, 1995** In Portugal, Emmanuel Amu is named the African Player of the Year 1994 by the Confederation Africaine de Football Technical Commissions. **JANUARY 10, 1995** In Kaoyang, Korea, Pete Sampras gives a special drop-in clinic to the young participants in NIKE's International Tennis camp. **JANUARY 12, 1995** Portuguese runner Paulo Guerra is the newest NIKE endorsee in track and field, and is the new leader in the Cross-Country IAAF World Challenge. **JANUARY 16, 1995** Tim Lincecum, All-Star outfielder for the Chicago White Sox,

JANUARY 2, 1995 It's the Nittany Lions of Penn State and the University of Oregon Ducks in the Rose Bowl, a win-win scenario for NIKE who provides uniforms or footwear for both teams. Designing team and sideline apparel puts the NIKE Swoosh all over the field. In all, 26 of the best college football teams and 23 of the winningest college basketball teams will wear NIKE-designed game uniforms next season. This authentic approach to college sports apparel is the result of NIKE's Organized Team Sports (OTS) group. The sale of licensed goods related to these team relationships has made NIKE the #2 licensor in college sports apparel, up from #24 in just one year. This incredible growth is but one story in the world of NIKE apparel and accessories. With global revenues up 19%, the NIKE Apparel Division topped \$897 million in FY '95. The strategy for FY '96 is simple . . . 10 digits. *Chris Webber, superstar forward, in the game uniform designed by NIKE OTS for the University of Michigan.*



officially christens the NIKE P.L.A.Y. court at the Chicago's BBR Youth Center. **JANUARY 18, 1995** NIKE Japan consumers, the Ikedas, love NIKE products so much they name their baby boy Nike. **JANUARY 21, 1995** The first NIKE Road Race takes place in Viña del Mar (the coast of Chile) on a 6K circuit. **JANUARY 24, 1995** NIKE Japan donates 93,000,000 YEN worth of NIKE product to earthquake victims in Kobe. **JANUARY 27, 1995** Romario returns to Brazil to lay down the first stone for a house for homeless children. The center will be called Romarinho (named after his son) and will provide shelter for homeless children between 7-17 years old. **JANUARY 29, 1995** Andre Agassi wins the Australian Open. So does Mary Pierce, the first-ever female Grand Slam winner to outfit herself head-to-toe in NIKE product. **JANUARY 28, 1995** NIKE sponsors the Samsun Cup, the biggest indoor meet in Hungary, the first time NIKE has sponsored an event in Eastern Europe, where sales nearly tripled in FY '95. **JANUARY 29, 1995** Super Bowl... NIKE's Steve Young... six TDs... leading rusher... MVP... not your average Joe. **JANUARY 30, 1995** NIKE announces two exclusive licensing agreements with H.H. Cutler Co. and Jantzen for children's apparel, swimwear and related activewear. **JANUARY 31, 1995** "Track & Field News" issues its women's world rankings and Athlete-of-the-Year balloting. NIKE is everywhere: Maria Mutola, 800M; Svetla Dimitrova, 100M hurdles; Jackie Joyner-Kersey, long jump; Uta Pippig, marathon; and Jackie Joyner-Kersey as Athlete of the Year. **FEBRUARY 1, 1995** In Denver, Utah Jazz guard John Stockton breaks the NBA's all-time assists record. **FEBRUARY 2, 1995** NIKE and VSI, formerly Voit Sports, announce an exclusive licensing agreement to develop and market NIKE Sport Balls. **FEBRUARY 3, 1995** Liz Dolan (Marketing VP) is presented with the 1995 Woman of the Year In Sports Award given by Sporting Goods Business and co-sponsored by The New York Times and the International Sports Marketing Association. **FEBRUARY 6, 1995** The American Foundation for the Blind gives NIKE the 1995 Access Award for its creation and distribution of the Braille "Just Do It" poster. **FEBRUARY 10, 1995** Michael Johnson wins the 400M at the Reno Air Games. It is his 38th consecutive 400M win, and his first world record. **FEBRUARY 14, 1995** Air Jordan shoes are sold in Eastern Europe for the first time. It won't be the last. **FEBRUARY 15, 1995** Phil Knight presents leading money winner Peter

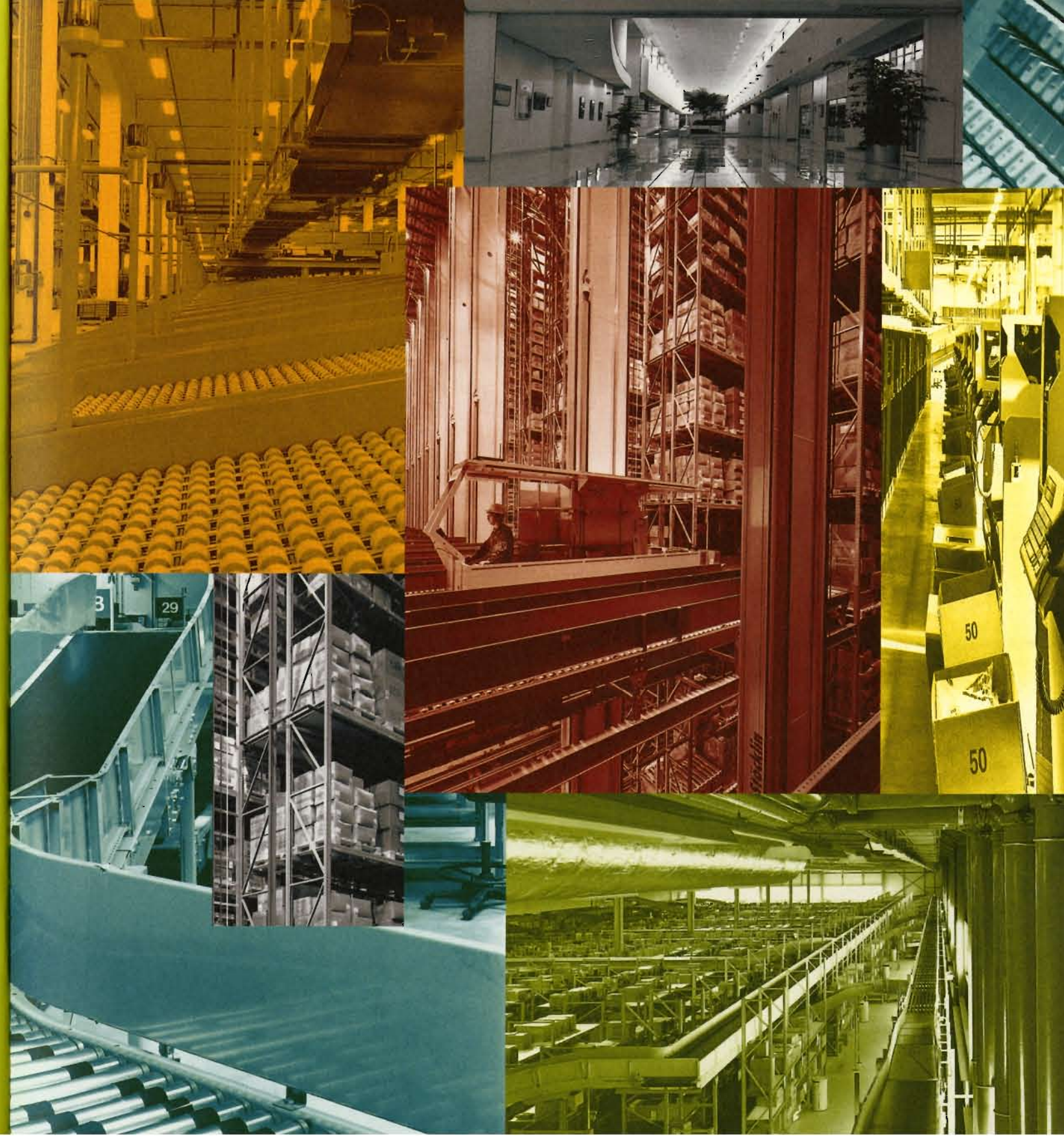
JANUARY 17, 1995 NIKE will provide footwear and apparel for 12 teams in the Chinese Basketball Association. The move heralds NIKE's focus on international sports marketing, providing culturally relevant athlete relationships that bring NIKE into the hearts and minds of participants and fans everywhere. In Germany, Borussia Dortmund wins the Bundesliga Soccer Championship. Spain's Alberto Costa is named Rookie of the Year on the ATP Tennis Tour. Shane Warne, one of the best bowlers in cricket, is a national hero in Australia. Aborigine track star Cathy Freeman brings home gold from the Commonwealth Games. Uta Pippig, born in East Berlin, and Kenyan Cosmas N'deti combine for five consecutive wins at the Boston Marathon. It is these relationships, this building of an emotional infrastructure, that position NIKE as the authentic, athletic leader in global sports.

Hideo "The Tornado" Nomo spans three decades, two continents and one ocean with a single wind up.

FEBRUARY 28, 1995 The new **NIKE Customer Service Center** in **Laakdal, Belgium**, ships a record **95,000 units in one day**. At **\$138 million**, the **750,000-square-foot facility** represents the **biggest non-acquisition capital investment in NIKE history**. Capable of storing **6.5 million units of apparel** and **5 million pairs of shoes**, the system is set to deliver expedited service of all **NIKE product** throughout Europe by the end of the current fiscal year, ultimately replacing the distribution capability of **32 separate warehouses**. With **11 kilometers of conveyors** and **26 cranes** roaming the high bays, the **NIKE Customer Service Center** is the most sophisticated delivery system of its kind. A highly automated, paperless operation, it provides unmatched operational efficiency, product delivery and responsiveness to consumers and retailers anywhere in Europe. Typical **NIKE performance**.

The NIKE Customer Service Center in Laakdal, Belgium, is large ... really huge ... and big enough ... for now.

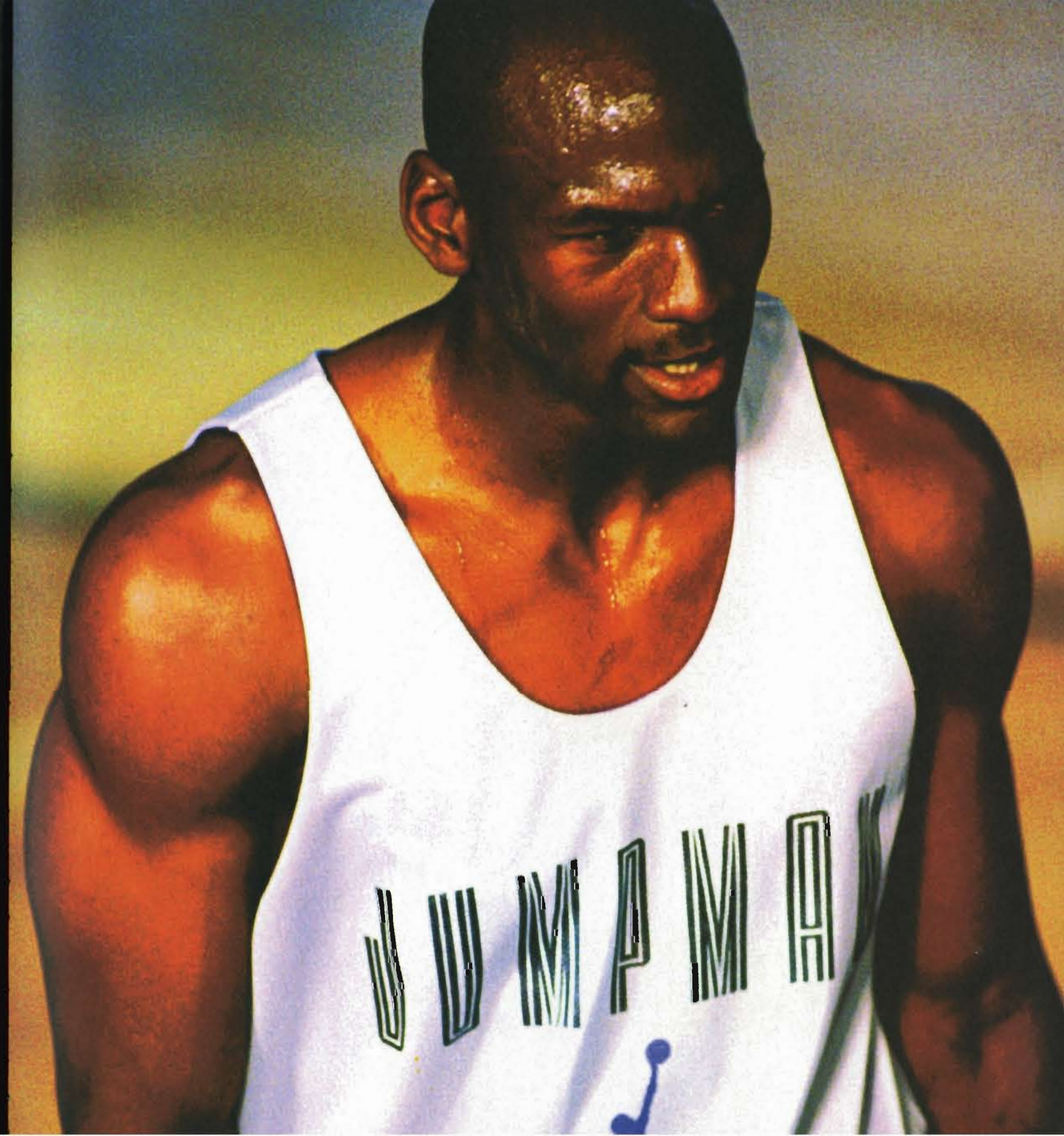
Jacobsen with a **NIKE Champions** jacket in celebration of his victories at the Pebble Beach National Pro-Am and the Buick Invitational of California. **FEBRUARY 17, 1995** Andre Agassi appears on "Late Night With David Letterman". Letterman's people request the video of **NIKE** employees shaving their heads in support of Andre's new look. **FEBRUARY 22, 1995** **NIKE** and **P.L.A.Y.** send 1,600 kids from the Miami area to the University of Miami basketball game against Seton Hall. **FEBRUARY 25, 1995** Spanish tennis player Carlos Cuadrado (12 years old) wins the European Championships Under 12 in Aurey, France. **FEBRUARY 27, 1995** **NIKE Australia** launches the new cricket footwear line to a packed house of retailers. Sales for **NIKE Australia** will finish up 12% on the year. **FEBRUARY 27, 1995** **NIKE** releases a new commercial featuring an HIV-positive runner. Some like it. Some don't. We love it. **FEBRUARY 28, 1995** Karen Smyers, the 1994 Female Triathlete of the Year, signs with **NIKE**. Smyers, according to "Triathlete Magazine," "is easily the top female American triathlete of the last half-decade." **MARCH 3, 1995** Boston Bruin power forward Cam Neely makes his debut in a **NIKE** commercial on ESPN. Allegedly, the commercial was filmed using a Cam Cam. **MARCH 4, 1995** Michael Johnson and Lance Deal break their world indoor records at the USA/Mobil Championships in Atlanta. Johnson wins the 400M in a time of 44:63 (.34 seconds off his old mark). Deal takes the 35-pound throw and \$40,000 for the Grand Prix title. **MARCH 5, 1995** **NIKE's** Rolando Vera of Ecuador wins the rain-soaked L.A. Marathon in 2:11:39, followed by **NIKE's** Bob Kempainen at 2:11:59. **MARCH 7, 1995** Dennis Rodman of the San Antonio Spurs leads the NBA in rebounding by more than four boards a game over his next closest competitor. It's gotta be the hair. **MARCH 14, 1995** Alonzo Mourning takes time off between games to visit the Thompson Children's Home in Charlotte, where he hands out **NIKE P.L.A.Y.** T-shirts and caps. **MARCH 15, 1995** In Hong Kong, the **NIKE Ironman Triathlon Challenge** raises HK\$50,000 for the Society for the Promotion of Hospice Care. **MARCH 16, 1995** Third-quarter revenues top \$1 billion for the first time. Earnings per share grow to \$1.29 compared to \$.85 last year. Global Futures orders are up 37%. **MARCH 26, 1995** This time, Andre Agassi defeats Pete Sampras at the Lipton Championships, his 47th win in his last 51 matches, giving Agassi a 2-1 edge against Sampras this year. **MARCH**



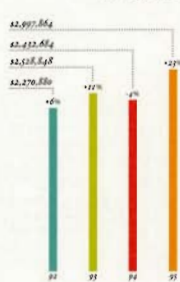
MARCH 19, 1994 He's back. His return in Indiana draws one in eight Americans to the screen. It's his love of the game that compels him to play, to compete. Though his impact on NIKE is unmistakable, NIKE basketball is enjoying full-court momentum long before the return of its most famous player. In FY '95, NIKE basketball alone, including footwear, apparel and accessories, generates enough revenue to make it the 4th biggest sports and fitness company in the world. A broad base of product concepts and players drives the machine: League veterans and new heroes provide continuity as the game grows into the next century; uniform and footwear partnerships with the best college teams put the best young players in NIKE gear; NIKE clinics, camps and tournaments forge an intimate link to the basketball community. We know the game. We have the players. We build the product. And that's enough.

The world's most famous athlete returns to the game he loves.

30, 1995 The NCAA Tournament sees 29 of the 64 men's teams, and 24 of the 64 women's teams in NIKE shoes. **APRIL 1, 1995** Germany's 6'7" Florian Schwarthoff, a world-class hurdler with a personal best of 13:13 for the 110M, is a new representative for NIKE. **APRIL 4, 1995** The Los Angeles Times "Body Watch" section features Mark Covert wearing NIKE Air Max² Light shoes and a "Just Do It" T-shirt on the front page. Covert has the second-longest running streak in history, covering 26 years and over 109,000 miles. **APRIL 8, 1995** The 1995 National College Cheerleading/Dance Championships are held in Orlando, Florida. Fifteen of 19 Division I squads wear NIKE. **APRIL 9, 1995** Nearly 5,000 kids attend the Pete Sampras clinic in Barcelona, Spain. Pete later holds a press conference, with a television audience of over 4.5 million people. **APRIL 10, 1995** The U.S. Men's National Soccer Team is at the NIKE World Campus for workouts, exhibition matches against Canada, a brown bag lunch with employees, and a free clinic for employee children. **APRIL 11, 1995** At the annual convention of the Exercise Association of England, the Instructor of the Year award goes to NIKE's Sally Brooks. **APRIL 15, 1995** At the Boston Marathon Expo, NIKE shocks the industry when it launches the Air Rift, a running shoe with a split toe. Runners love it. **APRIL 16, 1995** NIKE runners Cosmas N'Deti of Kenya and Uta Pippig of Germany repeat as winners of the Boston Marathon. (Three in a row for Cosmas; two for Uta.) **APRIL 20, 1995** A NIKE official, if there is such a thing, announces NIKE's sponsorship of the U.S. Men's National Soccer Team. **APRIL 23, 1995** In Taiwan, the 1995 NIKE Just Do It Road Race draws a record-breaking 5,000 runners, including 2,000 parents and kids who participate in the P.L.A.Y. division. **APRIL 25, 1995** Hideo Nomo, the Los Angeles Dodgers rookie pitching sensation, becomes the first native Japanese to play in the American major leagues in three decades. **APRIL 25, 1995** NIKE announces it will award \$150,000 in cash grants to Americorps to fund sports and fitness opportunities for kids in New York, Los Angeles, Chicago, Atlanta, Portland and Memphis. **APRIL 26, 1995** Picabo Street, Olympic downhill silver medalist and 1995 World Cup downhill champion, is now a NIKE athlete. **APRIL 28, 1995** In Budapest, NIKE-sponsored Banon-Honved wins the Hungarian Division I National Basketball championships. **APRIL 29, 1995** The NIKE "Power Play" Street Hockey Challenge



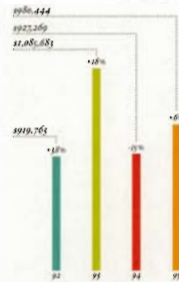
U.S. REVENUES (in thousands)



The NIKE brand enjoyed its strongest year ever in 1995. In the U.S., NIKE brand athletic footwear and apparel made significant market share gains, propelling them to record revenues.

Year Ended May 31

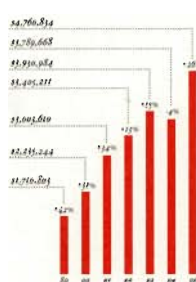
EUROPEAN REVENUES (in thousands)



European revenues increased despite continued sluggishness in France and Germany. NIKE-owned subsidiaries in Italy, Benelux and Spain/Portugal showed significant revenue growth compared to 1994. Results were also positively impacted by the effect of a weaker U.S. dollar.

Year Ended May 31

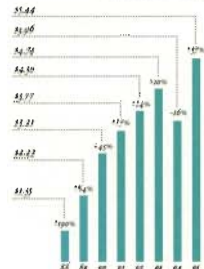
CONSOLIDATED REVENUES (in thousands)



Fiscal 1995 represents the best year ever achieved by any company in the sports and fitness industry. Revenues grew 26 percent to a record \$4.76 billion, more than double 1990 revenues.

Year Ended May 31

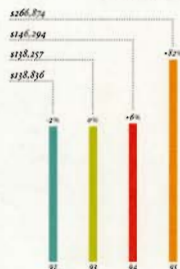
EARNINGS PER SHARE (adjusted to reflect the 2-for-1 stock split paid October 3, 1990)



Earnings per share grew 27 percent to a record \$4.44 in 1995. Growing at an annual compounded rate of 32 percent, NIKE remains one of the most consistently profitable companies in the sports and fitness industry.

Year Ended May 31

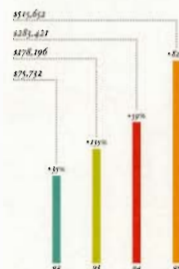
LATIN AMERICA/CANADA AND OTHER REVENUES (in thousands)



NIKE continues to make inroads in the Latin American footwear and apparel market. The joint venture covering Argentina and Brazil produced strong results, and Mexico showed revenue gains despite the negative effect of the weak peso.

Year Ended May 31

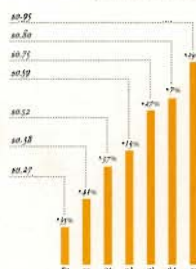
ASIA PACIFIC REVENUES (in thousands)



Fueled by a strong contribution from NIKE Korea, revenue in the Asia Pacific region continued its strong growth pace in 1995. NIKE Korea, acquired in August 1994, and NIKE Japan together account for over 60% of regional revenues.

Year Ended May 31

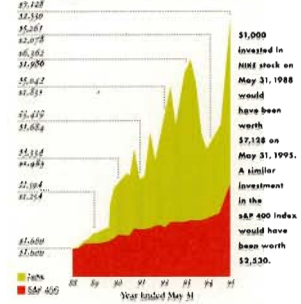
CASH DIVIDEND PER COMMON SHARE (adjusted to reflect the 2-for-1 stock split paid October 3, 1990)



In a year which saw NIKE make its largest acquisition ever, the company still increased the cash dividend for the seventh consecutive year. NIKE continues to target a payout ratio of 15 to 25 percent of trailing twelve-month earnings.

Year Ended May 31

TOTAL INVESTMENT RETURN VS. S&P 400 (assumes reinvestment of cash dividends)



\$1,000 invested in NIKE stock on May 31, 1988 would have been worth \$7,128 on May 31, 1995. A similar investment in the S&P 400 index would have been worth \$2,530.

FINANCIALS

FINANCIAL HISTORY

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

| | 1995 | 1994 | 1993 | 1992 | 1991 | 1990 | 1989 | 1988 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Year Ended May 31: | | | | | | | | |
| Revenues | \$4,760,834 | \$3,789,668 | \$3,030,984 | \$3,405,211 | \$3,003,610 | \$2,335,344 | \$1,710,803 | \$1,203,440 |
| Gross margin | 1,893,514 | 1,488,243 | 1,541,991 | 1,316,122 | 1,151,030 | 831,072 | 633,972 | 400,050 |
| Gross margin % | 39.8% | 39.3% | 50.9% | 38.7% | 38.4% | 35.4% | 37.2% | 33.3% |
| Net income | 399,664 | 292,794 | 365,016 | 329,218 | 267,046 | 242,938 | 167,047 | 101,693 |
| Average number of common and common equivalent shares | 5.44 | 3.96 | 4.74 | 4.30 | 3.77 | 3.21 | 2.22 | 1.33 |
| Cash dividends declared per common share | 73.303 | 75.435 | 77.063 | 76.602 | 76.067 | 75.668 | 75.144 | 75.278 |
| Cash dividends declared per common share | 0.95 | 0.30 | 0.75 | 0.59 | 0.32 | 0.38 | 0.27 | 0.20 |
| Cash flow from operations | 254,913 | 376,403 | 263,292 | 433,838 | 11,122 | 127,073 | 169,441 | 19,019 |
| Price range of common stock | | | | | | | | |
| High | 80 1/4 | 74 3/4 | 90 1/4 | 77 1/4 | 54 1/2 | 41 1/2 | 19 1/4 | 13 1/4 |
| Low | 36 1/4 | 43 1/4 | 55 | 35 1/4 | 26 | 19 | 11 1/4 | 7 |
| At May 31: | | | | | | | | |
| Cash and equivalents | \$ 216,071 | \$ 318,816 | \$ 291,384 | \$ 260,050 | \$ 119,804 | \$ 90,449 | \$ 85,749 | \$ 75,357 |
| Inventories | 629,742 | 470,023 | 392,986 | 471,202 | 586,594 | 369,476 | 222,924 | 198,479 |
| Working capital | 938,393 | 1,208,444 | 1,163,304 | 904,201 | 662,643 | 361,642 | 419,599 | 293,917 |
| Total assets | 3,142,745 | 2,173,813 | 2,186,369 | 1,871,667 | 1,707,236 | 1,093,358 | 824,216 | 707,901 |
| Longterm debt | 10,565 | 12,364 | 15,033 | 69,476 | 29,092 | 25,941 | 34,051 | 30,106 |
| Redeemable Preferred Stock | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| Common shareholders' equity | 1,964,689 | 1,740,949 | 1,647,519 | 1,328,488 | 1,099,582 | 781,012 | 538,597 | 408,507 |
| Year-end stock price | 78 1/4 | 59 | 72 1/4 | 58 | 39 1/4 | 39 1/4 | 19 | 12 1/4 |
| Market capitalization at May 31 | \$,635,190 | \$,318,800 | \$,499,273 | \$,179,574 | \$,399,030 | \$,242,679 | \$,137,581 | \$99,741 |
| Financial Ratios: | | | | | | | | |
| Return on equity | 21.0% | 17.7% | 24.5% | 27.9% | 31.7% | 36.1% | 34.3% | 27.4% |
| Return on assets | 14.1% | 13.1% | 18.0% | 18.4% | 20.5% | 21.3% | 21.8% | 16.7% |
| Inventory turns | 5.2 | 4.3 | 4.5 | 3.9 | 4.1 | 5.2 | 5.1 | 5.0 |
| Current ratio at May 31 | 1.8 | 3.2 | 3.6 | 3.3 | 2.1 | 3.1 | 2.9 | 2.2 |
| Price/Earnings ratio at May 31 | 14.5 | 14.9 | 15.3 | 13.5 | 10.5 | 12.2 | 8.6 | 9.0 |
| Geographic Revenues: | | | | | | | | |
| United States | \$2,997,864 | \$2,432,684 | \$2,528,848 | \$2,270,584 | \$2,141,461 | \$1,755,496 | \$1,362,148 | \$ 900,417 |
| Europe | 982,444 | 927,369 | 1,083,683 | 919,763 | 666,747 | 334,273 | 241,380 | 233,402 |
| Asia/Pacific | 333,612 | 281,421 | 176,196 | 76,713 | 163,838 | 20,523 | 33,027 | 21,052 |
| Canada, Latin America, and other | 266,874 | 146,394 | 135,235 | 13,557 | 121,164 | 116,131 | 75,248 | 48,661 |
| Total Revenues | \$4,760,834 | \$3,789,668 | \$3,030,984 | \$3,405,211 | \$3,003,610 | \$2,335,344 | \$1,710,803 | \$1,203,440 |

All per common share amounts have been adjusted to reflect the 3 for 1 stock split on October 5, 1990. The Company's Class B Common Stock is listed on the New York and Pacific Exchanges and trades under the symbol SBR. At May 31, 1995, there were approximately 65,000 shareholders. Years 1993 and prior have been restated to reflect the implementation of Statement of Financial Accounting Standards No. 109 - Accounting for Income Taxes (see notes 1 and 6).

HIGHLIGHTS

Fiscal year 1995 was a record year, with milestones achieved for almost all income statement categories:

- Revenues exceeded \$4 billion for the first time, increasing approximately \$1 billion, up 25.6% over last year and 21.1% over the previous high in fiscal year 1993. All four quarters exceeded \$1 billion each in revenues for the first time in the Company's history.
- Gross margins established a new record, increasing .5% over the previous high of 39.3% achieved in both 1994 and 1993.
- Selling and administrative costs decreased .3% as a percent of revenues from the previous year.
- Net Income rose to a record \$399.7 million, an increase of 33.8% over fiscal 1994 and 9.5% over the previous record established in fiscal 1993. Due to the share repurchase program, earnings per share increases were even higher with 37.4% and 14.8% increases over fiscal 1994 and fiscal 1993, respectively.
- The momentum appears to continue with record futures orders for the next six months of \$2.5 billion reported, up 35% over the prior year.

RESULTS OF OPERATIONS

Significantly higher revenues and improved gross margins, along with a reduced percentage of revenues in selling and administrative costs, were the primary factors in the record results for fiscal 1995 as compared to 1994. Fiscal 1994 experienced the first decline in seven years primarily as a result of decreased revenues and increased selling and administrative expenses as compared with the previous record year in fiscal 1993. During 1995, the Company was able to gain market share in the United States (U.S.) in spite of a rather mature market, where industry sources expected only a 3 to 5% market growth rate. The Company believes this was a result of both superior design and products, expansion of product categories and intensive marketing efforts. The Company's international markets are less mature than in the U.S. and offer more potential for growth. Accordingly, the Company has continued to invest in international infrastructure in order to capitalize on this potential and has seen higher selling and administrative expenses as a result. 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 1995 across all of the breakout categories (see chart), 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 business continues 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 the prior year. International brand revenues also increased significantly, growing \$360 million, or 27% as a result of a \$246.1 million (25%) increase in international footwear revenues and a \$113.9 million (32%) increase in international apparel revenues. 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 newly owned NIKE Korea, while the Americas region was up primarily as a result of newly owned NIKE Argentina and improved revenues in Canada. U.S. apparel revenues rebounded strongly, up \$85.4 million (25%), and other brands — which includes Cole Haan, Tetra Plastics, Inc., Sports Specialties Corp. and newly acquired Canstar Sports Inc. — grew \$85.3 million primarily due to the addition of Canstar.

The 4% decline in fiscal 1994 revenues was attributable to decreases in sales of U.S. and international footwear and U.S. apparel. The 5% U.S. footwear decrease was a result of a 2% drop in pairs shipped and a 3% decline in average selling price per pair, and was attributed primarily to a 22% reduction in basketball category revenues offset partially by gains in cross-training, outdoor and women's fitness categories. International decreased as a result of reduced footwear revenues offset slightly by increased apparel revenues. The decline was a result of poor economics in Europe. This was partially offset by growth in revenues from Asia Pacific and Latin America, with the largest contributor being the addition of NIKE Japan in the third quarter of fiscal 1994.

The breakdown of revenues follows:

| (\$ in thousands) | | | | | | |
|------------------------|-------------|-------|-------------|-------|-------------|-------|
| Year Ended May 31, | 1995 | % CHG | 1994 | % CHG | 1993 | % CHG |
| United States footwear | \$2,309,400 | 24% | \$1,868,900 | (5)% | \$1,908,500 | 13% |
| United States apparel | 425,000 | 25 | 338,500 | (6) | 360,500 | (2) |
| Total United States | 2,734,400 | 24 | 2,207,400 | (5) | 2,269,000 | 10 |
| International footwear | 1,244,300 | 35 | 998,200 | (5) | 1,049,100 | 21 |
| International apparel | 472,700 | 32 | 358,800 | 2 | 353,400 | 32 |
| Total International | 1,717,000 | 27 | 1,357,000 | (3) | 1,402,500 | 24 |
| Other brands | 110,600 | 38 | 225,100 | 15 | 199,800 | 20 |
| Total NIKE | \$4,766,000 | 26% | \$3,789,700 | (4)% | \$3,931,300 | 15% |

Gross margin increased to 39.8% in fiscal 1995 as compared to 39.3% in both 1994 and 1993. Gross margin improvement can be attributed to strong consumer demand for NIKE brand products (resulting in lower discount levels and increased revenues to cover fixed operating costs), internally controlled close-out distribution, a solid inventory position and strong inventory management, and the Company's innovative advance futures order program. Fiscal 1995 margin was up across all footwear and apparel categories except for certain other brands. Similarly, 1994 margin was up in the NIKE brand categories, reduced by margins in other brands. International margin increased in 1995 over 1994 and 1993, where improvement was noted in the second half of 1994 as a result of lower closeouts and improved inventory position over the first half of 1994 and all of 1993. The Company continues to place strong emphasis on inventory management, minimizing foreign exchange risk, and production sourcing in order to maximize gross profit.

Total selling and administrative expenses as a percentage of revenues decreased to 25.4% as compared to 25.7% in 1994 and 23.5% in 1993. The reduction can be attributed primarily to the increase in revenues. The increase in absolute dollar terms was primarily a result of U.S. marketing, new NIKE-owned international subsidiaries and Canstar and international infrastructure expenses. The increase in 1994 over 1993 was attributed to new NIKE-owned international operations and planned growth in international infrastructure. The Company plans to continue to invest in growth opportunities and worldwide marketing.

Consolidated interest expense increased approximately \$9 million as a result of significant operational and investment cash needs financed with short term borrowings. During the prior year, the Company was in a high net cash position that resulted in lower short-term operating borrowing needs, and the Company also reduced its long-term debt with the repayment of \$50 million in long-term notes at the beginning of fiscal 1994.

Other (income)/expense rose \$3.5 million in expense over 1994 primarily as a result of increased goodwill amortization and additional non-recurring specific obligations related to the shutdown of certain facilities in conjunction with the consolidation of European warehouses discussed in the prior year. These were offset partially by increased interest income resulting from higher interest rates and excess cash in the first half of the year.

The effective tax rate decreased to 38.5% from 39.1% in 1994 and 38.0% in 1993. The decrease was primarily the result of lower taxes provided on non-U.S. earnings. Fiscal 1994's effective 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 (FASB) 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 rate for fiscal 1996 will approximate the rate for 1995.

Worldwide orders for NIKE brand footwear and apparel scheduled for delivery between June and November, 1995, are approximately \$2.5 billion, 35% higher than such orders in the comparable period of the prior year. These orders are not necessarily indicative of total revenues for the subsequent periods because the mix of advance orders and "at once" shipments may vary significantly from quarter to quarter and year to year. Additionally, as international operations continue to shift to a greater emphasis on futures orders, this mix may again vary. Finally, exchange rate fluctuations can also cause differences in comparisons.

The Company operates globally, giving rise to exposures of market risks from changes in foreign currency exchange rates. The Company uses highly liquid foreign currency spot, forward and purchased options with high credit quality financial institutions in order to minimize the effects of fluctuations on the Company's foreign currency transactions. The Company only 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 are hedged with forward exchange contracts. 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.

The results of operations were favorably affected by weakening of the U.S. dollar in comparison to foreign currencies. Generally, a weaker U.S. dollar will result in higher translation of operating results in these financial statements than would a stronger U.S. dollar.

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 this regard, the European Union (the "EU") has imposed quotas that restrict the importation into the EU of certain footwear manufactured in The People's Republic of China (the "PRC"). Such quotas are applicable throughout all of the Member States that comprise the EU. While such quotas have required the Company to limit the quantities of footwear sourced in the PRC, they included an exemption for higher value special technology sports footwear and have not had a material adverse impact on the Company's business.

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 PRC, Indonesia and Thailand. The investigations expressly exclude certain athletic 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 fits within these exclusions and, therefore, that it will not be materially affected by these investigations. However, to some degree, the language of the exclusions is not sufficiently precise to preclude the possibility of varying interpretations by the EU Commission and the national customs authorities of the Member States (e.g. as to the meaning of terms such as "sports footwear" or "footwear designed for a sporting activity"). As of the end of the 1995 fiscal year, the Company is unable to predict 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. If the EU Commission were to impose such duties on some of the Company's footwear, it is possible that the Company would consider shifting some production to other countries in order to maintain competitive prices. The Company believes that it is prepared to deal effectively with any such duties 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 develop contingency plans. The Company believes that its major competitors would be similarly impacted by any such restrictions.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position remains extremely strong at May 31, 1995. Total assets exceeded \$3 billion for the first time and shareholder's equity increased \$224 million to approximately \$2 billion. Cash and equivalents decreased \$305 million (58%) primarily as a result of the purchase of Constar in the amount of \$409 million and increased operational cash needs. Working capital decreased \$270 million as a result of increased notes and accounts payable and accrued liabilities, lower cash and equivalents (as discussed previously), offset by increased inventories and accounts receivable. The

Company's current ratio was 1.8 at May 31, 1995, compared to 3.2 at May 31, 1994, decreasing primarily due to the addition of NIKE-brand subsidiaries with assets substantially equivalent to liabilities and the use of cash to purchase Constar, converting a current asset (cash) to long-term assets.

Inventory levels have increased \$160 million since May 31, 1994, primarily due to the addition of Constar and new NIKE-brand subsidiaries. U.S. footwear and apparel and international inventories also increased in anticipation of the high level of futures orders for the next quarter. Accounts receivable increased \$350 million (50%) due to the high level of fourth quarter revenues (41% higher than the previous year) as well as the addition of NIKE-brand subsidiaries and Constar.

Cash provided by operations was \$255 million in 1995 compared to \$576 million and \$265 million in 1994 and 1993, respectively. The increase in 1994 was a result of decreased inventory levels, offset partially by decreases in net income and non-cash charges.

Additions to property, plant and equipment for fiscal 1995 were \$154 million, with the most significant component related to the consolidation of European footwear warehouses. Total property, plant and equipment increased in excess of this amount due to Constar and new NIKE-brand subsidiaries. Additions to property, plant and equipment of \$95 million and \$97 million in fiscal 1994 and 1993, respectively, were related to the expansion of existing U.S. headquarters and U.S. and 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 1996 approximate \$177 million, with the primary components consisting of the continued consolidation of European footwear warehouses and expansion of NIKE TOWN retail locations. Funding is expected to be provided primarily by operations.

Current liabilities increased \$546 million, with a significant portion of the increase due to the addition of Constar and new NIKE-brand subsidiaries which added operationally related debt, including notes and accounts payable and accrued liabilities. Additionally, operating cash needs increased due to the high level of revenues and orders, combined with the reduction in excess cash which was used to purchase Constar.

Additional investing activities in 1995 included the acquisition of Constar and certain international distributors, including Korea, and in 1994 included the acquisition of NIKE Japan.

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 \$450 million of NIKE Class B Common Stock over a period of up to three years. Funding has, and is expected to continue to come from operating cash in potential 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, 1995, the Company had repurchased 4.9 million shares at a total cost of \$282.9 million.

Dividends per share of common stock for fiscal 1995 rose \$15 over fiscal 1994 to \$.95 per share. The Company has declared a dividend in every quarter since February 1984. Based upon current projected earnings and cash flow requirements, the Company anticipates continuing a dividend and reviews the amount at the second-quarter board meeting. The Company's policy continues to target an annual dividend in the range of 15% to 25% of trailing twelve-month earnings.

The Company's commercial paper program, rated A1 by Standard and Poor's Corporation and P1 by Moody's Investors Service, requires the support of committed and uncommitted lines of credit. There was \$118,609,000 outstanding under this program at May 31, 1995 and no amounts outstanding at May 31, 1994. Additionally, no amounts were outstanding at May 31, 1995 and 1994, under a committed \$300 million multiple option credit facility. (See Note 4 of the Consolidated Financial Statements for further details concerning the Company's short-term borrowing.) NIKE's debt-to-equity ratio was 0.6:1, 0.4:1 and 0.3:1 at May 31, 1995, 1994 and 1993, respectively.

Management believes that funds generated by operations, together with currently available resources, will adequately finance anticipated fiscal 1996 expenditures, with the potential exception of the stock repurchase program discussed above.

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 6, 1995

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, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 1995, 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.

Pricewaterhouse LLP

NIKE, INC. CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

| Year Ended May 31, | 1995 | 1994 | 1993 |
|--|-------------|-------------|-------------|
| Revenues | \$4,760,834 | \$3,789,668 | \$3,910,984 |
| Costs and expenses: | | | |
| Costs of sales | 2,865,280 | 2,301,423 | 2,186,993 |
| Selling and administrative | 1,209,760 | 974,099 | 922,261 |
| Interest expense (Notes 3, 4 and 5) | 24,208 | 15,282 | 25,739 |
| Other (income)/expense, net (Notes 1, 9 and 10) | 11,722 | 8,270 | 1,475 |
| | 4,110,970 | 3,299,074 | 3,336,468 |
| Income before income taxes | 649,864 | 490,594 | 594,516 |
| Income taxes (Note 6) | 250,200 | 191,800 | 229,509 |
| Net income | \$ 399,664 | \$ 298,794 | \$ 365,016 |
| Net income per common share (Note 1) | \$ 5.44 | \$ 5.96 | \$ 4.74 |
| Average number of common and common equivalent shares (Note 1) | 73,303 | 75,456 | 77,063 |

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

NIKE, INC. CONSOLIDATED BALANCE SHEET

(In thousands)

| May 31, | 1995 | 1994 |
|---|-------------|-------------|
| Assets | | |
| Current Assets: | | |
| Cash and equivalents | \$ 216,071 | \$ 518,816 |
| Accounts receivable, less allowance for doubtful accounts of \$32,663 and \$28,291 | 1,053,237 | 701,682 |
| Inventories (Note 2) | 629,742 | 470,023 |
| Deferred income taxes (Note 6) | 72,637 | 37,603 |
| Prepaid expenses | 74,221 | 40,307 |
| Total current assets | 2,045,928 | 1,770,431 |
| Property, plant and equipment, net (Notes 3 and 5) | 554,879 | 405,845 |
| Identifiable intangible assets and goodwill (Note 1) | 495,907 | 165,036 |
| Other assets | 46,031 | 34,593 |
| Total assets | \$3,142,745 | \$2,375,815 |

Liabilities and Shareholders' Equity

Current Liabilities:

| | | |
|--|-------------|-------------|
| Current portion of long-term debt (Note 5) | \$ 31,943 | \$ 5,817 |
| Notes payable (Note 4) | 397,100 | 127,378 |
| Accounts payable (Note 4) | 397,656 | 210,576 |
| Accrued liabilities | 345,224 | 181,889 |
| Income taxes payable | 35,812 | 38,287 |
| Total current liabilities | 1,307,735 | 663,907 |
| Long-term debt (Notes 5 and 13) | 10,365 | 12,364 |
| Non-current deferred income taxes (Note 6) | 17,789 | 38,228 |
| Other non-current liabilities (Note 1) | 41,867 | 39,987 |
| 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 - 25,895 and 26,679 shares outstanding | 155 | 159 |
| Class B - 45,550 and 46,521 shares outstanding | 2,698 | 2,704 |
| Capital in excess of stated value | 122,436 | 108,284 |
| Foreign currency translation adjustment | 1,583 | (11,123) |
| Retained earnings | 1,837,815 | 1,644,925 |
| Total shareholders' equity | 1,964,689 | 1,740,949 |
| Total liabilities and shareholders' equity | \$3,142,745 | \$2,375,815 |

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

NIKE, INC. CONSOLIDATED STATEMENT OF CASH FLOWS

| <i>(in thousands)</i> | | | |
|---|------------|------------|-----------|
| Year Ended May 31, | 1995 | 1994 | 1993 |
| Cash provided (used) by operations: | | | |
| Net income | \$399,664 | \$ 298,794 | \$365,016 |
| Income charges (credits) not affecting cash: | | | |
| Depreciation | 71,113 | 64,531 | 60,393 |
| Deferred income taxes and purchased tax benefits | (24,668) | (23,876) | 4,310 |
| Other non-current liabilities | (1,359) | (3,388) | 19,847 |
| Amortization and other | 19,125 | 8,067 | 12,951 |
| Changes in certain working capital components: | | | |
| (Increase) decrease in inventory | (69,676) | 160,823 | (97,471) |
| (Increase) decrease in accounts receivable | (301,648) | 23,979 | (61,538) |
| (Increase) decrease in other current assets | (10,276) | 6,888 | (5,133) |
| Increase (decrease) in accounts payable, accrued liabilities and income taxes payable | 172,638 | 40,845 | (32,085) |
| Cash provided by operations | 254,913 | \$76,463 | 265,292 |
| Cash provided (used) by investing activities: | | | |
| Additions to property, plant and equipment | (154,125) | (95,166) | (97,041) |
| Disposals of property, plant and equipment | 9,011 | 12,650 | 5,006 |
| Acquisition of subsidiaries: | | | |
| Identifiable intangible assets and goodwill | (145,901) | (2,185) | (52,003) |
| Net assets acquired | (84,119) | (1,367) | (25,858) |
| Additions to other non-current assets | (6,260) | (5,450) | (5,036) |
| Cash used by investing activities | (381,394) | (91,018) | (172,932) |
| Cash provided (used) by financing activities: | | | |
| Additions to long-term debt | 2,971 | 6,044 | 1,536 |
| Reductions in long-term debt including current portion | (39,804) | (56,986) | (5,817) |
| Increase (decrease) in notes payable | 263,874 | (2,339) | (2,017) |
| Proceeds from exercise of options | 6,154 | 4,288 | 7,055 |
| Repurchase of stock | (142,919) | (140,104) | — |
| Dividends - common and preferred | (65,418) | (60,282) | (55,017) |
| Cash provided (used) by financing activities | 24,858 | (249,979) | (52,266) |
| Effect of exchange rate changes on cash | (1,122) | (7,334) | (8,866) |
| Net (decrease) increase in cash and equivalents | (302,745) | 227,132 | 31,234 |
| Cash and equivalents, beginning of year | \$18,816 | 291,284 | 260,050 |
| Cash and equivalents, end of year | \$ 216,071 | \$ 518,416 | \$291,284 |

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

NIKE, INC. CONSOLIDATED STATEMENT OF CASH FLOWS

| <i>(in thousands)</i> | | | |
|---|-----------|-----------|-----------|
| Year Ended May 31, | 1995 | 1994 | 1993 |
| Supplemental disclosure of cash flow of information: | | | |
| Cash paid during the year for: | | | |
| Interest (net of amount capitalized) | \$ 20,200 | \$ 11,300 | \$ 20,800 |
| Income taxes | 285,400 | 189,800 | 255,200 |
| Supplemental schedule of non-cash investing activities: | | | |
| 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 asset | — | \$ 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 Shares | Class B Amounts | | | | |
| Balance at May 31, 1992 | 26,919 | 8161 | 48,591 | 82,716 | 891,799 | 8,686 |
| Stock options exercised | | | 342 | 2 | 14,652 | |
| Conversion to Class B Common Stock | (228) | (2) | 228 | 2 | | |
| Translation of statements of international operations | | | | | (8,476) | (8,476) |
| Net income | | | | | 365,016 | 365,016 |
| Dividends on Redeemable Preferred Stock | | | | | (30) | (30) |
| Dividends on Common Stock | | | | | (56,833) | (56,833) |
| Balance at May 31, 1993 | 26,691 | 759 | 49,161 | 2,720 | 108,431 | (7,790) |
| Stock options exercised | | | 167 | 1 | 6,287 | |
| Conversion to Class B Common Stock | (12) | — | 12 | — | | |
| Repurchase of Class B Common Stock | | | (2,819) | (17) | (6,454) | (133,633) |
| 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 | 739 | 46,527 | 2,704 | 108,284 | (15,123) |
| Stock options exercised | | | 241 | 2 | 8,954 | |
| Conversion to Class B Common Stock | (784) | (4) | 784 | 4 | | |
| Repurchase of Class B Common Stock | | | (2,130) | (13) | (4,801) | (138,106) |
| Stock issued pursuant to contractual obligations | | | 134 | 1 | 9,999 | |
| 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 | 6335 | 45,550 | 22,698 | 122,436 | 81,585 |

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

Basis 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.

Recognition of revenues:

Revenues 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.

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, 1995 and 1994 the Company had patents, trademarks and other identifiable intangible assets with a value of \$200,369,000 and \$11,758,000, respectively. At May 31, 1995 and 1994 the Company's excess of purchase cost over the fair value to net assets of businesses acquired (goodwill) was \$338,560,000 and \$182,212,000, respectively. Identifiable intangible assets and goodwill are being amortized over their estimated useful lives on a straight-line basis over five to forty years. Amortization expense was \$13,176,000, \$8,409,000 and \$5,863,000 for the years ended May 31, 1995, 1994, and 1993, respectively. Amortization is included in other income/expense. Accumulated amortization was \$43,022,000 and \$30,914,000 at May 31, 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 non-current liabilities:

Other non-current liabilities include amounts with settlement dates beyond one year and are primarily composed of long-term deferred endorsement payments of \$26,893,000 and \$33,586,000 at May 31, 1995 and 1994, respectively. Deferred payments to endorsers 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.

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 are hedged with forward exchange contracts. Anticipated, but not yet firmly committed, transactions may be hedged through the use of purchased options. Gains and losses related to hedges of firmly committed transactions are deferred and are recognized in income or as adjustments of carrying amounts when the hedged transaction occurs. Premiums paid on purchased options are included in other assets and are recognized in income in the same period as the hedged transaction. 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 past 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.

Reclassifications:

Certain prior year amounts have been reclassified to conform to the 1995 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) | | |
|------------------|-----------|-----------|
| May 31, | 1995 | 1994 |
| Finished goods | \$618,521 | \$465,065 |
| Work-in-progress | 9,064 | 2,915 |
| Raw materials | 3,157 | 3,043 |
| | \$629,742 | \$470,023 |

The excess of replacement cost over LIFO cost approximated \$19,512,000 at May 31, 1995, and \$19,367,000 at May 31, 1994. During 1994, certain inventory quantities were reduced resulting in liquidations, which were not material, of LIFO inventory quantities carried at different costs prevailing in prior years as compared with the cost of those years' purchases.

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment includes the following:

| (in thousands) | | |
|-------------------------------|-----------|-----------|
| May 31, | 1995 | 1994 |
| Land | \$ 68,102 | \$ 59,761 |
| Buildings | 224,586 | 154,731 |
| Machinery and equipment | 470,422 | 317,782 |
| Leaschold improvements | 65,716 | 54,383 |
| Construction in process | 64,187 | 52,428 |
| | \$91,213 | \$69,085 |
| Less accumulated depreciation | 336,334 | 235,240 |
| | \$554,879 | \$405,849 |

Capitalized interest expense relating to construction of the Company's world headquarters and other projects was \$261,000, \$270,000 and \$767,000 for the fiscal years ended May 31, 1995, 1994 and 1993, respectively.

NOTE 4 - SHORT-TERM BORROWINGS AND CREDIT LINES:

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

(In thousands)

| May 31, | 1995 | | 1994 | |
|--------------------------|------------|---------------|------------|---------------|
| | Borrowings | Interest Rate | Borrowings | Interest Rate |
| Banks: | | | | |
| U.S. Operations | \$118,609 | 6% | \$ 6,462 | 4.59% |
| International Operations | \$98,491 | 6% | \$127,916 | 4.31% |
| | \$217,100 | | \$134,378 | |
| NIAC | \$129,480 | 6% | \$118,274 | 4.31% |

At May 31, 1995 and 1994, NIKE had no outstanding borrowings under its \$300 million unsecured multiple option facility with sixteen banks, which matures on November 30, 1997. 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 Prime Rate or London Interbank Offered Rate (LIBOR) plus .30%. The agreement provides for annual fees of .125% of the total commitment. Under the agreement, the Company must maintain, among other things, certain minimum specified financial ratios and balances. Domestic subsidiaries had \$0 and \$6,462,000 outstanding at May 31, 1995, and May 31, 1994, respectively, under unsecured, uncommitted short-term credit agreements.

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, 1995 there was \$118,609,000 outstanding and at May 31, 1994 there were no amounts 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 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 115 days after shipment of goods from the foreign port. 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)

| May 31, | 1995 | 1994 |
|---|----------|----------|
| 10.4% senior secured note | \$23,244 | \$ - |
| 9.43% capital warehouse lease, payable in quarterly installments through 2007 | 9,078 | 9,098 |
| Other | 11,186 | 7,125 |
| Total | 43,508 | 16,223 |
| Less current maturities | 31,943 | 3,857 |
| | \$11,565 | \$12,366 |

The senior secured note was acquired in connection with the acquisition of Canstar and was liquidated subsequent to year-end. Amounts of long-term maturities in each of the five fiscal years 1996 through 2000 respectively, are \$31,943,000, \$1,606,000, \$1,402,000, \$1,130,000 and \$956,000.

NOTE 6 - INCOME TAXES:

Income before income taxes and the provision for income taxes are as follows:

(In thousands)

| Year Ended May 31, | 1995 | 1994 | 1993 |
|-----------------------------|-----------|-----------|-----------|
| Income before income taxes: | | | |
| United States | \$487,348 | \$318,367 | \$372,996 |
| Foreign | 182,316 | 179,227 | 221,320 |
| | \$669,664 | \$497,594 | \$594,316 |
| Provision for income taxes: | | | |
| Current: | | | |
| United States | | | |
| Federal | \$172,127 | \$121,392 | \$126,071 |
| State | 34,764 | 23,832 | 26,425 |
| Foreign | 75,984 | 64,034 | 74,886 |
| | \$282,875 | \$209,258 | \$227,382 |
| Deferred: | | | |
| United States | | | |
| Federal | (25,689) | (12,931) | 1,741 |
| State | (2,430) | (1,868) | 1,229 |
| Foreign | (4,318) | (3,159) | (812) |
| | (32,437) | (17,958) | 2,158 |
| | \$250,438 | \$191,300 | \$229,600 |

During fiscal 1994 the Company permanently reinvested approximately \$56,000,000 of its undistributed international earnings in certain international subsidiaries. This resulted in a reduction of \$12,800,000 in the 1994 provision for deferred income taxes.

On August 10, 1993, the Omnibus Budget Reconciliation Act of 1993 was signed into law, raising corporate rates 1%. This resulted in an increase of approximately \$7,200,000 in tax expense, computed as the impact of the 1% applied retroactively to earnings from January 1, 1993, and also to deferred taxes in accordance with FAS 109.

The Company adopted FAS 109 during the first quarter of fiscal 1994. The Company has elected to report the cumulative effect of the FAS 109 adoption as of May 31, 1987. The cumulative effect of \$3,207,000 has been recorded as a reduction in common shareholder's equity for each of the years subsequent to 1987. There was no impact on the results of operations previously reported for the years 1987 through 1993. The adoption of FAS 109 had no effect on income taxes, the provision for income taxes, and the effective tax rates for the years ended May 31, 1993.

As of May 31, 1995, the Company has utilized all foreign tax credits.

Deferred tax liabilities (assets) are comprised of the following:

| (in thousands) | 1995 | 1994 |
|--|-------------|-------------|
| May 31, | | |
| Undistributed earnings of foreign subsidiaries | \$ 18,164 | \$ 16,405 |
| Acquired tax benefits | 4,229 | 5,554 |
| LIFO inventory | 2,087 | 2,504 |
| Acquisition basis adjustment | 1,281 | 1,361 |
| Depreciation | 3,401 | 2,896 |
| Reserves and accrued liabilities | 3,158 | 332 |
| Inventory reserves | 567 | 1,744 |
| Other | 490 | 1,213 |
| Gross deferred tax liabilities | 35,377 | 32,009 |
| Allowance for doubtful accounts | (7,952) | (6,795) |
| Inventory reserves | (15,645) | (13,071) |
| Deferred compensation | (10,221) | (6,724) |
| Reserves and accrued liabilities | (36,335) | (10,592) |
| Tax basis inventory adjustment | (8,852) | (7,100) |
| Depreciation | (1,796) | (1,408) |
| Other | (7,444) | (5,694) |
| Gross deferred tax assets | (88,241) | (51,384) |
| | \$ (52,864) | \$ (19,375) |

A reconciliation from the U.S. statutory federal income tax rate to the effective income tax rate follows:

| Year Ended May 31, | 1995 | 1994 | 1993 |
|---|-------|-------|-------|
| U.S. Federal statutory rate | 35.0% | 35.0% | 34.0% |
| State income taxes, net of federal benefit | 3.2 | 3.2 | 3.3 |
| Tax benefit from permanent reinvestment of foreign earnings | — | (2.6) | — |
| Impact of rate increase | — | 1.5 | — |
| Other, net | .3 | 2.0 | 1.3 |
| Effective income tax rate | 38.5% | 39.1% | 38.6% |

During 1982, the Company purchased future tax benefits for \$15,277,000. Tax benefits of \$4,229,000 in excess of the purchase price have been recognized as of May 31, 1995 and are classified in non-current deferred income taxes.

NOTE 7 - REDEEMABLE PREFERRED STOCK:

Nissio Iwai American Corporation (NIAC) is the sole owner of the Company's authorized Redeemable Preferred Stock, \$1 par value, which is redeemable at the option of NIAC at par value aggregating \$300,000. A cumulative dividend of \$10 per share is payable annually on May 31 and no dividends may be declared or paid on the Common Stock of the Company unless dividends on the Redeemable Preferred Stock have been declared and paid in full. There have been no changes in the Redeemable Preferred Stock in the three years ended May 31, 1995. As the holder of the Redeemable

Preferred Stock, NIAC does not have general voting rights but does have the right to vote as a separate class on the sale of all or substantially all of the assets of the Company and its subsidiaries, on merger, consolidation, liquidation or dissolution of the Company or on the sale or assignment of the NIKE trademark for athletic footwear sold in the United States.

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 60,000,000 and 150,000,000, respectively. 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 3,360,000 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 4,000,000 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, 1995, 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 following summarizes the stock option transactions under the 1980 Plan and 1990 Plan for the three fiscal years ended May 31, 1995:

| | Shares (in thousands) | Option Price Per Share (\$) |
|-----------------------------------|--------------------------|--------------------------------|
| Options outstanding May 31, 1995: | 2,124 | 4.75 to 82.15 |
| Exercised | (161) | 4.75 to 56.25 |
| Surrendered | (101) | 20.41 to 82.15 |
| Granted | 492 | 58.15 to 56.88 |
| Options outstanding May 31, 1994: | 2,354 | 4.75 to 56.88 |
| Exercised | (222) | 4.75 to 60.50 |
| Surrendered | (24) | 37.625 to 59.75 |
| Granted | 580 | 58.875 to 74.875 |
| Options outstanding May 31, 1993: | 2,688 | 11.55 to 74.875 |
| Options exercisable at May 31: | | |
| 1994 | 917 | 4.75 to 58.25 |
| 1995 | 1,018 | 11.55 to 60.50 |

In addition to the option plans discussed previously, the Company has several agreements outside of the plans with certain directors, endorser and employees. As of May 31, 1995, 1,018,000 options with exercise prices ranging from \$.417 per share to \$76.25 per share had been granted. The

aggregate compensation expenses related to these agreements is \$5,670,000 and is being amortized over vesting periods from October 1980 through October 1998. The outstanding agreements expire from February 1998 through September 2005.

The following summarizes transactions outside the option plans for the three years ended May 31, 1995:

| | Shares (In thousands) | Option Price Per Share(\$) |
|-----------------------------------|--------------------------|-------------------------------|
| Options outstanding May 31, 1995: | 265 | 4.75 to 76.25 |
| Exercised | (6) | 4.75 to 12.50 |
| Surrendered | (20) | 71.75 to 76.25 |
| Granted | 30 | 48.13 to 51.00 |
| Options outstanding May 31, 1994: | 269 | 4.75 to 51.00 |
| Exercised | (18) | 4.75 to 38.25 |
| Surrendered | — | — |
| Granted | — | — |
| Options outstanding May 31, 1995: | 251 | 4.75 to 56.25 |
| Options exercisable at May 31: | | |
| 1994 | 193 | 4.75 to 56.25 |
| 1995 | 202 | 4.75 to 56.25 |

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 \$11,200,000, \$8,500,000 and \$10,300,000 to the plan are included in other expense in the consolidated financial statements for the years ended May 31, 1995, 1994 and 1993, respectively.

The Company has a voluntary 401(k) employee savings plan. The Company matches a portion of employee contributions vesting that portion over 5 years. Company contributions to the savings plan were \$3,363,000, \$3,503,000 and \$3,150,000 for the years ended May 31, 1995, 1994 and 1993, respectively.

NOTE 10 - OTHER INCOME/EXPENSE, NET

Included in other income for the years ended May 31, 1995, 1994 and 1993, is interest income of \$26,094,000, \$19,064,000 and \$15,377,000, respectively. During the two fiscal years ending May 31, 1995 and 1994 the Company recognized \$11,412,000 and \$7,060,000, respectively in non-recurring specific obligations associated with the shutdown of certain facilities in conjunction with the consolidation of European warehouses.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Company leases space for its offices, warehouses and retail stores under leases expiring from one to fifteen years after May 31, 1995. Rent expense aggregated \$43,506,000, \$37,677,000 and \$33,195,000 for the years ended May 31, 1995, 1994 and 1993, respectively. Amounts of minimum future annual rental commitments under non-cancellable operating leases in each of the five fiscal years 1996 through 2000 are \$41,062,000, \$42,572,000, \$38,544,000, \$34,955,000, \$24,689,000, respectively, and \$237,699,000 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 CANSTAR SPORTS INC.

During the third quarter of fiscal 1995, NIKE acquired all the outstanding shares of Canstar 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.

Canstar'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 10 to 40 years. The amortization period is based on NIKE's belief that the combined company has substantial potential for achieving long-term appreciation of the fully integrated global company. Canstar 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 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, 1995, is approximately \$9,891,000, compared to a carrying value \$10,565,000. 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 net cash inflows 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 enters into forward exchange contracts to hedge certain firm purchases and sales commitments and purchases currency options to hedge certain anticipated but not yet firmly committed transactions denominated in foreign currencies. Premiums paid on purchased options are included in other assets and liabilities and recognized in earnings when the future obligation being hedged is recognized. Deferred gains and losses on forward exchange contracts are recognized in earnings when the future purchases and sales being hedged are recognized.

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 of 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, 1995 and 1994 (in millions).

| | May 31, 1995 | | | May 31, 1994 | | |
|--------------------|----------------------------------|--------------------|----------------|----------------------------------|--------------------|----------------|
| | Notional Principal Amounts | Carrying Values | Fair Values | Notional Principal Amounts | Carrying Values | Fair Values |
| Forward Contracts: | \$706.2 | (\$ 2.2) | (\$13.8) | \$376.7 | \$ — | (\$13.2) |
| Purchased Options | 62.5 | 1.4 | 2.3 | — | — | — |
| Total | \$768.7 | (\$.8) | (\$12.5) | \$376.7 | \$ — | (\$13.2) |

Net unrealized losses deferred at May 31, 1995 and 1994 were approximately \$11.4 and \$15.2 million, respectively. At May 31, 1995 and May 31, 1994, the Company had no contracts outstanding with maturities beyond one year.

The counterparties to derivative transactions are major financial institutions with investment grade or better credit ratings; however, the Company is exposed 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. 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 1995, 1994 and 1993, sales to one major customer amounted to approximately 14% of total sales in those years. The geographic distributions of the Company's identifiable assets, operating income and revenues are summarized in the following tables.

(in thousands)

| Year Ended May 31, | 1995 | 1994 | 1993 |
|--|-------------|-------------|-------------|
| Revenues from unrelated entities: | | | |
| United States | \$2,997,864 | \$2,432,684 | \$2,528,848 |
| Europe | 980,444 | 927,269 | 1,085,683 |
| Asia/Pacific | 515,652 | 283,421 | 178,196 |
| Latin America/Canada and other | 266,874 | 146,294 | 138,257 |
| | \$4,760,834 | \$3,789,668 | \$4,930,984 |
| Inter-geographic revenues: | | | |
| United States | \$6,596 | \$ 3,590 | \$ 3,583 |
| Europe | — | — | — |
| Asia/Pacific | — | — | — |
| Latin America/Canada and other | 25,764 | 8,092 | 9,359 |
| | \$ 32,360 | \$ 11,682 | \$ 12,933 |
| Total revenues: | | | |
| United States | \$3,004,260 | \$2,436,274 | \$2,532,431 |
| Europe | 980,444 | 927,269 | 1,085,683 |
| Asia/Pacific | 515,652 | 283,421 | 178,196 |
| Latin America/Canada and other | 292,638 | 154,386 | 147,607 |
| Less inter-geographic revenues | (32,360) | (11,682) | (12,933) |
| | \$4,760,834 | \$3,789,668 | \$4,930,984 |
| Operating Income: | | | |
| United States | \$ 501,885 | \$ 344,632 | \$ 401,096 |
| Europe | 113,800 | 124,242 | 177,716 |
| Asia/Pacific | 44,188 | 46,753 | 36,624 |
| Latin America/Canada and other | 37,721 | 19,141 | 28,612 |
| Less corporate, interest and other income (expense) and eliminations | (67,510) | (44,174) | (49,532) |
| | \$ 629,084 | \$ 490,594 | \$ 594,516 |
| Assets: | | | |
| United States | \$1,425,032 | \$1,171,448 | \$1,147,507 |
| Europe | \$31,488 | 487,035 | 429,460 |
| Asia/Pacific | 308,390 | 197,067 | 67,868 |
| Latin America/Canada and other | 181,263 | 79,549 | 60,212 |
| Total identifiable assets | 2,946,173 | 1,885,099 | 1,605,047 |
| Corporate cash and eliminations | 195,692 | 438,166 | 282,218 |
| Total assets | \$3,141,865 | \$2,323,265 | \$1,887,265 |

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Beaverton, Oregon

MATT WOLFF
Beaverton, Oregon

LOCATIONS

WORLD HEADQUARTERS
One Bowerman Drive
Beaverton, Oregon 97005-6453

**UNITED STATES SALES AND
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
1215 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.
2445 Canoe Avenue
Coquitlam, British Columbia
Canada V3K 6A9

ASIA/PACIFIC HEADQUARTERS
Suite 1401-B, South Tower
World Financial Center
Harbor City, Canton Rd.
Tsimshazi, Kowloon
Hong Kong

LATIN AMERICAN HEADQUARTERS
One Bowerman Drive
Beaverton, Oregon 97005-6453

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

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 18, 1995 at 10:00 am, at NIKE World Headquarters, One Bowerman Drive, Beaverton, Oregon 97005-6453. A formal notice of the Annual Meeting, together with the proxy statement and proxy card, will be mailed to shareholders.

INDEPENDENT ACCOUNTANTS

Price Waterhouse
121 SW Morrison, Suite 1800
Portland, Oregon 97204

REGISTRAR AND STOCK TRANSFER AGENT

First Chicago Trust Co. of New York
P.O. Box 2500
Jersey City, NJ 07303-2500
(201) 524-0498

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 1-800-764-6453 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, 1-800-422-6453.

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) 671-3637 or writing to NIKE, Inc., JUST DO IT Fund, Attention: Public Affairs at the World Headquarters address.

NIKE PLAY

ELAX - 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 ELAX, call 1-800-929-PLAY.

(1) Member - Executive Committee
(2) Member - Audit Committee
(3) Member - Personnel Committee
(4) Member - Finance Committee
(5) Member - Stock Option Committee



JUNE 1, 1993 Day one of the best year in NIKE history



T H E R E I S N O F I N I S H L I N E