"YOUR LEADERSHIP TEAM IS DEDICATED TO AGGRESSIVELY MANAGING OPPORTUNITIES..."

Phil Knight
Chairman of the Board

To our shareholders,

It was an odd year.

We set a record in sales and earnings, outpacing Wall Street estimates in both.

Sales reached $15 billion.
Earnings per share are up 18%.
Footwear and apparel futures orders are up.
US region futures are up.
European futures are up.
Asian futures are up.
The Americas region futures were up before negative exchange rates turned it into a net decrease … of 1%.

From this corner everything is up except the stock price.

As this goes to print, it is down over 5% from this time last year.

In 26 years of writing this letter, I have often tried to explain, put in perspective or even dismiss the vagaries of the market. But after those 26 years, I have come to believe one thing: Do not despair; the market will eventually find you.

And rather than bemoan the low expectations of others, let me share my view as a fellow shareholder. We are a long-term growth company judged by short-term standards.

Over the past five years, earnings per share on a compounded rate are up an average of 20%. Gross margins have averaged over 42% during that time, and in this past year we delivered 44% in a period of rising costs. Your leadership team is dedicated to aggressively managing opportunities, controlling costs, and investing in sustainable growth and value. After 42 years in the business, 16 as a private company, it is my opinion we are in a far better position to do that than any of our competitors.

It all starts in the corner office.

I thought for awhile we would be best served by an outside perspective in that office.

But in the end I suppose we are just different. We are a different industry and have a very different corporate culture.

We are now led by a man who has devoted his entire business life to this company, 27 years of contributions and education. His name is Mark Parker, and he will tell you a little about his outlook in his letter, the most important part of this report.

Sincerely,

Philip H. Knight
Chairman of the Board, NIKE, Inc.