

**JULY 24, 2012**

**TO OUR SHAREHOLDERS,**

NIKE was awarded its first patent in 1974 for the Waffle outsole. It was the inspired invention of Bill Bowerman, legendary track coach and co-founder of NIKE. In fiscal year 2012, NIKE landed the top spot on The Patent Board's Consumer Products scorecard. We earned it for our strong technical skills, the depth of our science and research, and the quantity of our innovation.

That's a tribute to the drive, ingenuity and teamwork of NIKE people across the organization. I'm very proud of that. While earning top honors for the strength of our innovation is an outstanding achievement, we still have room to improve and elevate our performance.

That's how it's been for my 33 years with this company – a relentless drive to innovate, inspire and grow. That's how it was in fiscal 2012 and how it will continue to be going forward.

**WE ARE ON THE OFFENSE. ALWAYS.**

This is one of our guiding principles. It drives us to create and deliver amazing products to the marketplace – shoes, apparel, equipment, services, and experiences. That generates topline growth, and fiscal 2012 was a very strong year.

- Global revenue for NIKE, Inc. grew 16 percent to \$24.1 billion, our fastest growth in 15 years.
- Global revenue for the NIKE Brand was up 16 percent, with increases in every geography and category.
- Our NIKE Brand Direct-to-Consumer (DTC) business – that's the stores and websites we own and operate - increased 23 percent overall. Online sales alone grew 26 percent.
- And Converse had another great year, increasing revenue by 17 percent – terrific momentum in that business.

There's no doubt about the power of our brands and the strong consumer demand for our products.



**Flyknit**

*Flyknit technology radically changes what's possible in performance, style and manufacturing.*

That said, we didn't deliver as much of that growth to the bottom line as we would have liked, due largely to significantly higher costs for the materials and labor that go into our products. We raised prices over the course of the year and did a good job leveraging SG&A expense, which grew below the rate of revenue. As a result, our diluted Earnings per Share for the year grew 8 percent to \$4.73. Those are solid results given the variables in our economy. But we're not satisfied with "solid." We remain confident that our earnings will grow faster than our revenue over the long-term.\*

### **THE POWER OF THE NIKE, INC. PORTFOLIO IS OUR COMPETITIVE ADVANTAGE.**

NIKE has the size and diversity of businesses to compete on a global scale. We use our leadership position to help us mitigate the impact of macroeconomic forces on our profitability. And we use it to identify and invest in the biggest growth opportunities. Sometimes those decisions are easy – like creating a new generation of digital products and services, or bringing great consumer experiences to retail.

Sometimes the decisions are much tougher, like divesting of Cole Haan and Umbro. But every decision is focused on increasing our ability to deliver sustainable, profitable growth. And that growth can be found in our core businesses: NIKE, Converse, Jordan and Hurley. In fact, at our last investor day meeting we shared a revenue target of \$28 to \$30 billion by the end of fiscal year 2015. I remain confident in that goal, even with our leaner portfolio of brands.\*



#### **Fuel Band**

*FuelBand is a dramatic new vision for how digital technology inspires and connects athletes everywhere.*

### **WE ARE DESIGNED TO GROW.**

When I started at this company we were still trying to make NIKE a \$1 billion business. Things are different today. At the end of fiscal 2012 . . .

- Running alone is a \$3.7 billion wholesale business, because we have emotional connections to those athletes.
- China is a \$2.5 billion geography, because young Chinese consumers understand our brands, and we understand them.

- Converse is a \$2.5 billion brand on a wholesale equivalent basis, because it does a great job of leveraging franchise products and inspiring youth culture.
- Direct-to-Consumer is a \$3.9 billion sales channel, because we create retail experiences that bring excitement to the marketplace.
- Lunar cushioning is a \$2 billion franchise at retail, because we know how to deliver real performance innovation and distinct style, and consumers appreciate that authenticity.
- NIKE Free, one of our most popular franchise products, started in Running but now delivers almost half its revenue from outside the Running category. That's the leverage model at its best.



All of these mega-businesses started out as simple ideas – opportunities to deliver profitable growth by exceeding consumers' expectations through innovation. So we committed to these ideas, invested in them, and they continue to deliver new growth and potential.

This year we expanded NIKE+ into Basketball and Training, launched a new digital technology and community called the NIKE FuelBand, unveiled 32 new uniforms for the NFL, delivered our lightest, most sustainable kits for national football teams, and showed the world you could make most of a shoe upper with a single piece of thread through technology called Flyknit. These are just a few of the game-changing innovations we introduced in fiscal 2012, and we're just getting started.

#### **THE CATEGORY OFFENSE FUELS OUR GROWTH.**

At NIKE, innovation comes from our focus on discrete parts of the business – Running, Global Football, Basketball, Men's Training, Women's Training, Action Sports and Sportswear. We call it our Category Offense. Our category teams live the lives of those athletes, mining for insights that help us innovate new ways to improve their performance and experience. And our geography teams bring these innovations to life at the local level, ensuring deep and meaningful connections with our consumers.

Revenue from Running alone was up 32 percent on the year. And that's on top of a 30 percent jump the year before. Global Football increased 14 percent to pass \$2 billion in revenue. And that's before the 2012 Olympics and Euro Champs. Sportswear added \$400 million in incremental revenue. And Men's Training and Women's Training grew 18 percent and 21 percent respectively. That's the power of the Category Offense at work.

### **WE CREATE OPPORTUNITY BY REMAINING FOCUSED IN VOLATILE TIMES.**

Looking ahead, we'll continue to see uncertainty in the global economy. Commodity and labor costs will continue to fluctuate, and foreign currency exchange pressure will stay with us. We are not immune to these realities. Nobody is. But our potential - and our focus and determination to realize it - remain undiminished.

I also see very important trends that play directly to our strengths. There's a strong appetite for authentic brands and genuine innovation. Digital connectivity will continue to shrink the world while sustainability strives to save it. And new partnerships continue to advance how products are manufactured and distributed.

In April we published our *Sustainable Business Performance Summary*. It's a snapshot of our continuing commitment to becoming a better company in support of a better future. Consumers expect companies to do the right thing for the world. And we are. Sustainability is not something we see as a drag on profitability. It is a source of innovation, competitive advantage and growth for NIKE.

### **SO WHAT DOES ALL THIS LOOK LIKE?**

Our potential at NIKE reminds me of the 2012 Olympic Trials at Hayward Field in Eugene, Oregon. It was forty years ago, in the same stadium at the same event, where NIKE made its national debut. No one beyond the athletes on the track took notice of us. But we saw the tremendous potential in giving athletes the best, most innovative products to help them achieve their goals. And we have been relentlessly focused on that ever since.

This year I was lucky enough to witness Ashton Eaton's incredible world record performance in the decathlon. Not only did he set world and personal bests in several events, he did it over two days of miserable conditions.



#### **Ashton Eaton**

*Ashton Eaton is the world's greatest athlete. How many of us can say that?*

When fans and other athletes were trying to avoid the rain, Ashton walked around like it was a sunny summer day - totally focused on performing his best. One of the few rays of sunshine came during the final event, the 1,500M that put him in the record books as the world's greatest athlete. He raised the bar for himself and the entire sport.

That's what champions do. We are committed to doing the same.

Thanks,

A handwritten signature in dark ink, reading "Mark Parker", with a long horizontal flourish extending to the right.

**Mark Parker**

President and Chief Executive Officer  
NIKE, Inc.

\* The marked paragraphs contain forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties are detailed from time to time in reports filed by NIKE, Inc. with the S.E.C., including Forms 8-K, 10-Q, and 10-K.

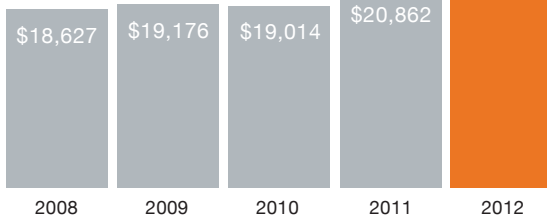
## 2012 SELECT FINANCIALS

### NIKE, Inc. Revenue Performance

Fiscal Years 2008-2012

Five-year CAGR 8%\*

Revenue in millions

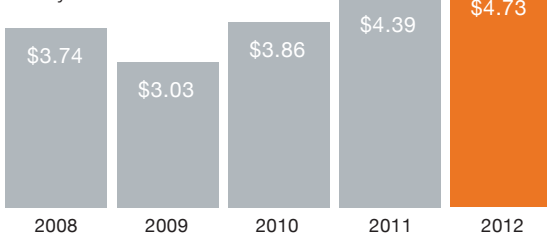


\* 5-Year Compound Annual Growth Rate (CAGR) based on Fiscal Year 2007 Revenue of \$16,326 million.

### NIKE, Inc. Diluted EPS Performance\*\*

Fiscal Years 2008-2012

Five-year CAGR 10%\*

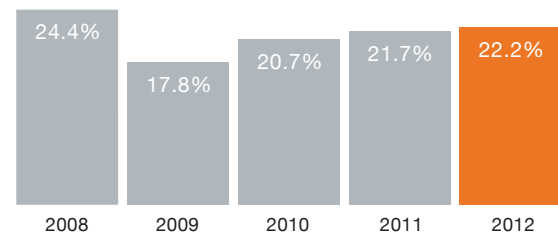


\* 5-Year Compound Annual Growth Rate (CAGR) based on Fiscal Year 2007 diluted EPS of \$2.93

\*\* EPS amounts are not directly comparable as they include non-recurring expenses and benefits such as impairment and restructuring charges, tax settlements and other items. To see comparable annual EPS amounts please refer to our prior press releases and SEC filings.

### NIKE, Inc. Return on Invested Capital\*

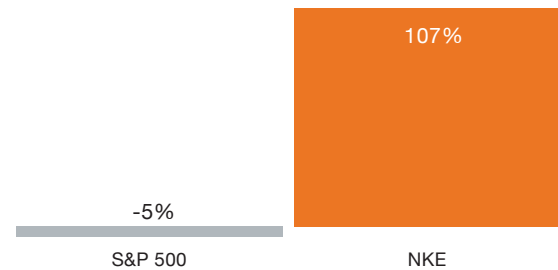
Fiscal Years 2008-2012



\* Return on Invested Capital calculation is included in the quarterly earnings section of our investor relations website, <http://investors.nikeinc.com>, as one of our key financial metrics calculations.

### Five-Year NIKE, Inc. Stock Performance vs. S&P 500\*

Fiscal Years 2008-2012



\* Performance of the S&P 500 and NIKE stock is calculated by comparing the total returns of each assuming the reinvestment of dividends over the time period of 5/31/2007 to 5/31/2012.

## **SHAREHOLDER INFORMATION**

NIKE, Inc. common stock is listed on the New York Stock Exchange under the trading symbol 'NKE.' Copies of the Company's Form 10-K and Form 10-Q reports filed with the Securities and Exchange Commission are available from the Company without charge. Copies are available on the investor relations website, <http://investors.nikeinc.com>. To request a hard copy, please call 800-640-8007 or write to NIKE's Investor Relations Department at:

NIKE World Headquarters  
One Bowerman Drive  
Beaverton, Oregon 97005-6453

Quarterly dividends on NIKE common stock, when declared by the Board of Directors, are paid on or about July 5, October 5, January 5, and April 5. Additional financial information is available at <http://investors.nikeinc.com>.

## **INDEPENDENT ACCOUNTANTS**

PricewaterhouseCoopers LLP  
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Portland, Oregon 97201

## **REGISTRAR AND STOCK TRANSFER AGENT**

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 following address:

Computershare Trust Company N.A.  
P.O. Box 43078  
Providence, RI 02940-3078  
800-756-8200  
800-952-9245 (Hearing Impaired)  
[www.computershare.com](http://www.computershare.com)