



CONVERSE

Hurley



JULY 21, 2016

TO OUR SHAREHOLDERS,

In this time of relentless change, the state of play for NIKE has never been more dynamic.

Around the world, healthy living is becoming a priority. As a result, sport is now a part of the everyday lifestyle and sneaker culture is booming.

At retail, our industry is in the early stages of unprecedented transformation. Mobile innovation and personal services are dominating the landscape. For the consumer, the connection between the digital and physical worlds is closer than ever.

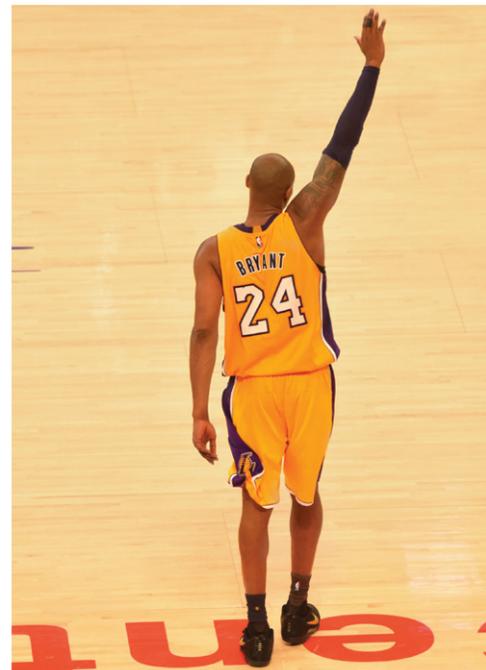
At the same time, global companies like NIKE are faced with foreign currency pressures and the realities of geopolitical volatility. And above all, climate change is constraining resources.

These seismic shifts demand all of our ingenuity – but also create tremendous opportunity for NIKE.

This year, we managed uncertainty in the near-term and targeted our investments to accelerate growth for years to come. We developed promising technologies, formed groundbreaking partnerships, and grew our global footprint. We empowered our people and expanded access to sport. We boosted our digital presence, evolved our supply chain, and harnessed sustainable innovation to enhance our efficiency.

These investments represent a fundamental shift in how we do business. In doing so, we not only accelerated our mission of serving the athlete – but also envisioned the future of sport. In fiscal year 2016, the results of this approach came to life like never before:

- Revenues grew 6% to \$32.4 billion
- Gross Margin expanded 20 basis points, to 46.2%
- Diluted earnings per share increased 17% to \$2.16
- Return on Invested Capital increased to 29.7%



Kobe Bryant

We said goodbye to one of the game's fiercest competitors who will continue to inspire players and fans all over the world.

This past year, we also demonstrated the power of our complete offense and on a constant currency basis:

- Five of our six geographies grew by double-digits – Greater China grew 27%, Western Europe was up 14% and North America, our largest geography, continued to deliver strong results, growing 8%.
- Nike.com grew 51% as we expanded our reach in an additional 20 countries in fiscal 2016 – and now is present in more than 40 countries worldwide.
- The Men's, Women's, and Young Athletes' businesses all grew double-digits – headlined by Women's growing 17%, and continuing to outperform.
- The Categories delivered strong results. Running grew 10%, Jordan Brand grew 21%, and sport style innovation fueled 22% growth in NIKE Sportswear.

NIKE's success underscores our ability to drive both profitable growth and significant shareholder value. In fiscal 2016, we not only expanded our leadership position, we also set the foundation for long-term growth across every dimension of our business.

PRODUCT INNOVATION

In March in New York City, we debuted an unprecedented wave of innovation. Headlining the event was the HyperAdapt 1.0, the most adaptive footwear ever created. Powered by an advanced lacing system, it represents the first step towards a future where our products adjust to athletes in real-time.

As a company founded by a runner and his coach, we built on our legacy of excellence in running with an array of high-performance shoes. The Lunar Epic creates a unique sensation, featuring a mid-height, stretch Flyknit collar. In addition, the Free Run Motion delivers our most natural ride yet, with a new outsole design that expands in multiple directions when the foot strikes the ground. And the feather-light Air VaporMax is an engineering achievement, representing the purest air cushioning ever created.



HyperAdapt 1.0

Powered by an advanced lacing system, the HyperAdapt 1.0 is the first step into the future of footwear – one where products change as you change.

Our innovations are built with the insights of elite athletes. Nowhere is that more clear than in basketball, where our products are helping the world's best raise their game.

LeBron James and Kyrie Irving made history by leading the Cleveland Cavaliers back from an unprecedented 3-1 deficit in the Finals to win the NBA title. The storyline of LeBron bringing a championship back to his hometown Cleveland will go down as one of the greatest in recent memory. Just as we celebrated history being made, we also honored a legacy of excellence. To commemorate Kobe Bryant's decades of dominance, we created the Kobe 11 with an advanced version of Flyknit technology for lightweight and superior strength. This year, we also celebrated the release of the Air Jordan 30 – representing the Jordan Brand's timeless lineage, with an eye towards the future.

Ahead of the Summer Games in Rio, we unveiled breakthrough products that will elevate the performance of the world's best athletes, on the biggest stage in sports. They include Aero Blades, a never-before-seen aerodynamic technology that reduces wind resistance for all runners – from sprinters to marathoners. We also debuted the new Mercurial Superfly V, featuring NIKE Anti-Clog technology – a mud-repelling polymer that provides premium traction, no matter the conditions on the pitch. And for gold-medal-winning sprinter Allyson Felix, we harnessed generative design and 3D printing to create a Flyknit track spike that's mapped to the contours of her foot – offering superior fit, strength, and flexibility. It all adds up to a glimpse of what's to come: innovation that is tailored to the individual needs of every athlete, everywhere.



LeBron James

In ending Cleveland's 52-year drought without a major sport championship, LeBron cemented his status as one of the game's greatest icons.

PERSONALIZED PERFORMANCE

Together, these products represent a fundamental shift in how we serve athletes. NIKE is ushering in the era of personalized performance – allowing us to serve the consumer completely, on and off the field.

Nowhere is that shift more clear than in the new Nike+ app, the all-access pass to your potential. It offers the best of NIKE at your fingertips, from a personal store to customized on-demand coaching. Through the app, consumers will receive targeted offers, share their progress on social media, and earn invitations to exclusive in-person events. Best of all, it works seamlessly with the rest of the NIKE digital universe – Nike+ Run Club, Nike+ Training Club, nike.com and NIKEiD.com – to create a single home for your entire athletic life.

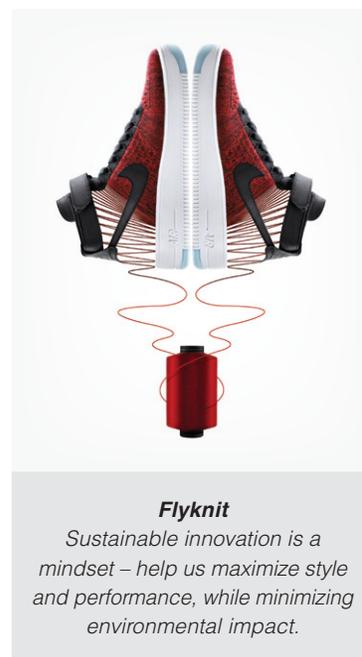
Nike+ represents our conviction that technology is at its most powerful when it serves people. To put that principle into practice, we continue to invest in digital platforms that fuel authentic connections with consumers.

MANUFACTURING REVOLUTION

Across NIKE, we are driving our Manufacturing Revolution, a series of investments that are transforming how our products are made.

We're partnering with innovators who help us accelerate systemic change at scale. With Flex, we're driving the modernization of footwear manufacturing across our supply chain. With HP Inc., we're testing 3D printers that will deliver customized product, with less waste. And with the Ellen MacArthur Foundation, we're exploring new business models that keep materials in play through re-use and regeneration.

At NIKE, we believe in the power of sustainable innovation to help us get faster and more efficient. It is grounded in a single, moonshot question: "How can we double our business, while halving our environmental impact?" This year, we took landmark steps towards answering this call to action. To understand, track and decrease carbon across our value chain, we released our *FY 14/15 Sustainable Business Report* in May 2016 – featuring groundbreaking plans to maximize athletes' performance, while minimizing our environmental impact.



OUR TEAM

We have ambitious business targets for the future. To make them happen, we know it's going to take creativity, passion and leadership from everyone on the NIKE team.

Just recently, we also made an important announcement about the founder who created the roadmap for this great company. Phil Knight has stepped down as Chairman of NIKE, Inc. There's not enough space in a letter for me to express what Phil has meant to me personally, as a mentor and as a friend.

When they talk about building a company in a man's image, that's NIKE and Phil Knight. Apart from his brilliant business mind, Phil's greatest gifts to our culture are his infectious attitude, competitive spirit and obsession with serving the athlete. His entrepreneurial drive is and always will be part of our DNA.

He reminded us every day what it meant to be rebellious, in a positive way. To stay aggressive, but play fair. To care about people and remain loyal to your relationships. But most of all, he taught us to love sport. To remember that, at NIKE, we work in an industry that brings joy and breaks hearts. But, either way, it makes us all feel something deeply powerful.

Phil leaves a giant footprint on the world. We're grateful that his transcendent leadership has taken NIKE this far. As he evolves into his next role within NIKE, Phil remains the voice that inspires us all. As he told us recently, "Continue to do great things." That's a mission we will take to heart.

CONCLUSION

Looking back on fiscal 2016, I'm inspired by our strong performance. Despite challenging macro business dynamics, we continued to drive robust growth across the globe. We did it by staying true to the formula that got us here: a relentless innovation mindset and partnerships with the world's greatest athletes.

Heading into fiscal 2017, we see incredible opportunities for growth – and we have a bold plan to seize them.

It starts by taking a global approach. We will continue to deliver on our potential across our biggest markets in North America and Western Europe. At the same time, we'll deepen our leadership in our fast growing geographies in Greater China and Emerging Markets.

It means expanding the core pillars of our business – Running and Basketball – with a relentless flow of innovation. To amplify the energy across our diverse portfolio of categories, we will continue to unify performance and lifestyle with inspirational sportswear for both men and women.

More than ever before, we'll unleash the power of the Jordan Brand across multiple categories. And to focus on the audiences with the biggest potential, we are making bold investments in our women's and young athletes' offenses.

Long-term growth is about more than what we make – it's how we bring it to life in the marketplace.



NIKE Sportswear

Led by successes such as Tech Fleece, NIKE delivers sports style innovation – redefining the look of athletes' high-performance products.

That's why we invest in integrating digital and physical retail seamlessly, giving our consumers better access to the products they want. And it's why we work closely with our best wholesale partners to transform the consumer experience. As the global leader, NIKE is driving the new reality of retail for athletes around the world.

NIKE has never had so much opportunity before us. Powered by our extraordinary team, innovative mindset, and global brand leadership, I've never been more confident in the future NIKE is creating. Building off a strong fiscal 2016, I'm incredibly excited about what's in store for fiscal 2017 and beyond.

Thanks,



Mark Parker

Chairman, President and Chief Executive Officer
NIKE, Inc.



Mo Farah

Mo Farah, one of the most successful distance runners of all time, clocked impressive wins at the 2016 Prefontaine Classic and the Birmingham Diamond League, as he prepares to defend his two Olympic gold medals in Rio.

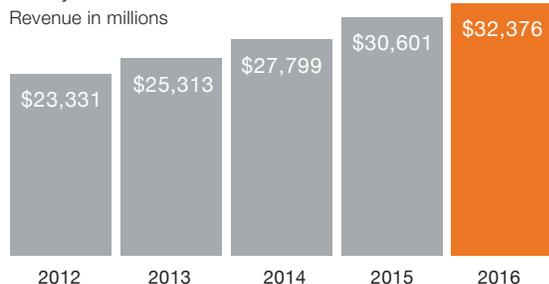
2016 SELECT FINANCIALS

NIKE, Inc. Revenue Performance

Fiscal Years 2012-2016

Five-year CAGR 10%*

Revenue in millions

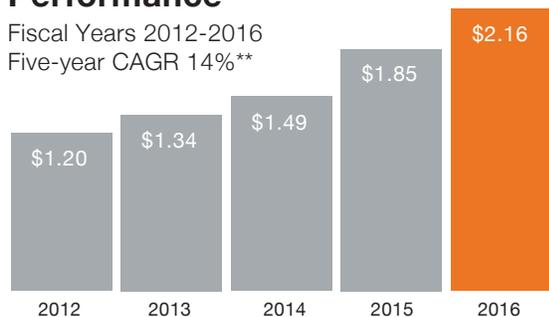


* 5-Year Compound Annual Growth Rate (CAGR) based on Fiscal Year 2011 Revenue of \$20,117 million. The revenue amounts presented reflect the results of our continuing operations.

NIKE, Inc. Earnings Per Share Performance*

Fiscal Years 2012-2016

Five-year CAGR 14%**

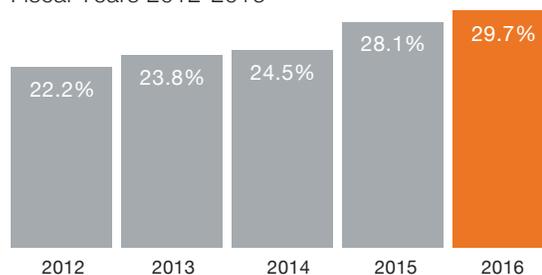


* These amounts have been restated to reflect our December 2012 and December 2015 two-for-one stock splits and historical results of continuing operations.

** 5-Year Compound Annual Growth Rate (CAGR) based on Fiscal Year 2011 split-adjusted diluted earnings per common share of \$1.11.

NIKE, Inc. Return on Invested Capital*

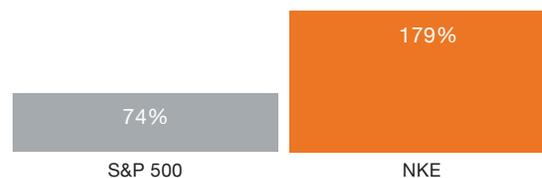
Fiscal Years 2012-2016



* Return on Invested Capital calculation is included in the quarterly earnings section of our investor relations website, <http://investors.nike.com>, as one of our key financial metrics. Please refer to this site for more detail on this calculation.

NIKE, Inc. Stock Performance vs. S&P 500*

Fiscal Years 2012-2016



* 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 5/31/2011 to 5/31/2016.

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.nike.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.nike.com>.

INDEPENDENT ACCOUNTANTS

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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:

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