

**NIKE, Inc. Annual Shareholder Meeting Transcript**  
**September 20, 2012**

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**PRESENTATION**

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Good morning. Will the meeting please come to order? I'm Philip Knight, Chairman of Nike and it's my great pleasure to welcome you to Nike's 32nd annual shareholders meeting.

First of all I would like to introduce the directors. In the far right in the back, my right, your left, is Dr. John Lechleiter, president and CEO of Eli Lilly, a world-class pharmaceutical company. Next to him is Tim Cook who is the CEO of Apple. The last thing he did before our board meeting yesterday was get off the telephone, the iPhone5, which I can hardly wait to get. Next is Beth Comstock who is the senior vice president at General Electric. Next is John Connors a former CFO at Microsoft and the partner in one of the Northwest's leading venture capital companies. Next to him is Alan Graf who is a CFO at FedEx. Next to him is Mark Parker who you know is the CEO at Nike.

Over in the back I think we have Orin Smith, the former president and CEO of Starbucks, and we have Doug Houser who is a partner in Bullivant Houser one of the Northwest's leading law firms. Then we have Jonathan Rodgers who just stepped down as CEO of TV One, one of the most successful TV entities in Washington DC, and next is Phyllis Wise who is a chancellor at the University of Illinois.

We also have with us four members from – four partners from Price Waterhouse who are here today, Julie Schlendorf, Steve Barr, Steve Terry and Amy Hover.

Julie has worked on the Nike account for ten years and because of SEC regulation has rotated off and she has given us ten great years and we thank you very much and we'll miss you.

Steve Terry holds over and Amy and Steve are new to the account and we look forward to working with you.

Also in attendance is Tom McDonough of ComputerShare who will serve as the inspector of elections.

The agenda for the meeting will be first to consider the six matters to be voted on by shareholders. Second, Mark Parker will report on the state of the business; and finally, the officers will answer questions from the shareholders.

You should have received a card on which you can write your questions. The question cards will be collected shortly, and at the end of the meeting we will answer as many questions as time permits.

The results of the balloting will be announced shortly after voting.

John Coburn is the Secretary of NIKE. John is the notice of this meeting duly and properly given and is a quorum present?

**John Coburn, NIKE, Inc., Corporate Secretary:** Yes, Phil. The notices were mailed in accordance with the bylaws on August 9<sup>th</sup>, 2012. A quorum of both Class A and Class B common stock is present today. There are present in person or by proxy 99.5 percent of the total outstanding Class A shares entitled to vote at the meeting, and 83.5 percent of the total outstanding Class B shares entitled to vote at this meeting, which, in both cases, is more than the required majority needed for a quorum.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Thank you, John. Since a quorum is present, I declare this annual meeting of the shareholders of NIKE, Inc. duly convened. We will dispense with the reading of the minutes of the last annual meeting and proceed to the matters to be voted on.

There are six matters to be voted on at this annual meeting, each of which is described in your proxy statement. 1, the election of directors, 2, an advisory vote to approve executive compensation, 3, an amendment to the Articles of Incorporation to increase the number of authorized shares of common stock, 4, a re-approval and amendment of the NIKE, Inc. Long-Term Incentive Plan, 5, a ratification of the appointment of PricewaterhouseCoopers as NIKE's independent auditors for the current fiscal year, and 6, a shareholder proposal regarding political contributions disclosure.

I would like to ask the Secretary to present the Board of Director's recommendations to the shareholders at this time.

**John Coburn, NIKE, Inc., Corporate Secretary:** Yes. The first matter we will vote on is the election of Directors.

The Board's nominees for election by the Class A Shares are Beth J. Comstock, John G. Connors, Timothy D. Cook, Douglas G. Houser, Philip H. Knight, Mark G. Parker, Johnathan A. Rodgers, Orin C. Smith and John R. Thompson, Jr.

The board's nominees for election by Class B shares are Alan B. Graf Jr., John C. Lechleiter and Phyllis M. Wise.

I move that these nominees be elected to the Board of Directors.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Is there a second?

**Unidentified Speaker:** Second.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** The Company has not received notice of any other nominations as are required by the by-laws, therefore I declare the nominations closed.

**John Coburn, NIKE, Inc., Corporate Secretary:** The second matter to be voted on is an advisory vote on executive compensation. I move that the compensation of the named executive officers as described in the proxy statement be approved.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Is there a second?

**Unidentified Speaker:** Second.

**John Coburn, NIKE, Inc., Corporate Secretary:** The third matter we will vote on is an amendment to the Company's Articles of Incorporation to increase the Company's authorized Class A Stock from 175 million shares to 200 million shares, and the authorized Class B Stock from 750 million shares to 1.2 billion shares.

I move that the amendment be approved.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Is there a second?

**Unidentified Speaker:** Second.

**John Coburn, NIKE, Inc., Corporate Secretary:** The fourth matter we will vote on is the re-approval and amendment to the Long-Term Incentive Plan.

I move that the plan and the amendments be approved.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Is there a second?

**Unidentified Speaker:** Second.

**John Coburn, NIKE, Inc., Corporate Secretary:** The fifth matter to be voted on is shareholder ratification of the appointment of PricewaterhouseCoopers as the Company's independent registered public accounting firm for fiscal 2013.

I move that the selection of PricewaterhouseCoopers be ratified.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Is there a second?

**Unidentified Speaker:** Second.

**John Coburn, NIKE, Inc., Corporate Secretary:** The final matter we will vote on is a shareholder proposal regarding political contributions disclosure. Is the North Carolina Department of State Treasurer or its representative here to present the proposal?

**Markus Stoffel, New Outlook Financial:** Yes. Good morning. My name is Markus Stoffel and I stand here to move proposal number six on behalf of the 70 billion, North Carolina State Retirement System.

This is the accountability proposal whose aim is for Nike to disclose how it uses treasury funds for both direct and indirect political purposes.

Why does this matter? It matters because it discloses payments to third party advocacy groups or how corporate money floods into political process today. This poses serious legal, reputational, and operational risks to a company.

To protect against these risks, there is a well-established disclosure and accountability framework that is widely admired and routinely practiced. For instance, one; disclosure of this order is supported by the US Supreme Court which expects shareholders to determine whether their corporations' political speech advances the corporations interest.

Two; accountability to the type requested in this proposal is set out of the corporate governance best practice and in the conference board in the 2010 handbook on political activity.

Three; already more than 100 major corporations including over half of the S&P 100 disclose how they spend shareholder dollars and nearly 60 companies also disclose their indirect political spending through trade associations.

This risk features Northwest leaders like Microsoft and Starbucks which have industry leading disclosure practices. Nike should be included on this list.

Nike took tentative steps in this arena when it created a limited frame of disclosure that modestly involved the board. These were steps in the right direction. However, significant gaps remain.

These gaps were highlighted when the Securities and Exchange Commission denied Nike's request to bar this proposal item number six entirely from the proxy.

Nike and the board claimed that it had already substantially implemented political disclosure, however, the SEC ruled that Nike term policies do not approach the integrity of practice represented by these proposal or implemented by a majority of Nike's peers.

In closing, Nike's board has a fiduciary duty to ensure that corporate assets are used in the long-term best interest of shareholders. Without a fair and effective system of disclosure as requested to by this proposal, Nike's board is unable to fulfill this duty.

Therefore, please join the North Carolina State Retirement System in voting for this common sense, good corporate governance proposal. Thank you very much.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Is there a second?

**Unidentified Speaker:** Second.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Does anyone need a ballot? Any shareholder who wants a ballot should raise his or her hand and the ushers will provide a ballot. It is not necessary to ask for a ballot if you have already sent in your proxy. If you have previously sent in a proxy, please do not execute a separate ballot unless you mark your ballot to show that a proxy was previously submitted and that you desire to revoke your proxy. There are separate ballots for Class A and Class B shareholders.

If any of you have questions written on your cards, please also pass them to the aisle and the ushers will collect them at this time.

I now declare the polls closed. The Inspector of Election will now tally all votes and the measures and return the results to the Secretary.

I'll now turn the floor over to your Chief Executive Officer, Mark Parker who will review our performance in fiscal year 2012.

**Mark Parker, NIKE, Inc., President and Chief Executive Officer:** Good morning everybody, it's great to see you here today. Thank you for your time. You've heard me say many times before that Nike Inc. is a growth company, and there are many dimensions to that growth. Of course, we are all very in tune to top line revenue growth and bottom line profitability. These are the clearest measures of value to all of you as shareholders.

But inside of those metrics there are equally important forces that help Nike generate that growth and that value; things like strong relationships with consumers, product innovation, great stories that inspire people, and working to help create a more sustainable future. These are all long term commitments we've made, and I'm going to talk briefly about each of them today.

So, let's look at the top line first. In fiscal year 2012, global revenue for Nike Inc. grew 16 percent to \$24.1 billion. That's the biggest revenue increase we've seen in 15 years.

For the Nike brand, global revenue was up 16 percent, and that includes increases in all of our key geographies, and all seven of our key global categories.

Our direct to consumer business, what we call DTC, this includes our e-commerce websites and the 826 stores we own and operate, we increased 21 percent here overall. Online sales alone

grew over 20 percent. And then Converse; Converse had another great year increasing revenue by 17 percent, terrific momentum in that business.

So, what does this exceptional growth tell us about the company? Well to me it says there is tremendous consumer demand for our products and they understand the brands in our portfolio. Even more important, they trust us and appreciate the value that we offer. It also speaks to the significant appetite that exists for sports and innovation in market places all over the world.

Those three things; passion for sports, game changing innovation, and those consumer connections are what really motivate and drive us inside this company. They give us focus and they shape our potential going forward and we are relentless about pursuing that potential.

As strong as our top line was in fiscal 2012, it is not a straight line between revenue and profits. We didn't translate as much of that growth into the bottom line as we would have liked.

On the year, our diluted earnings per share grew eight percent to \$4.73. Those results are solid given a global economy that continues to be volatile. Cost for labor and materials increased and sovereign debt continues to prompt the fluctuation in currency exchange rates.

These headwinds while significant and ongoing did not deter us from delivering appropriate returns to our shareholders. Both revenue and earnings per share hit new record highs. And throughout the year we leveraged our size to manage down cost. And we successfully raised prices across much of our product line.

Our SG&A cost grew at a lower rate than our revenue and we continue to invest in products and services that resonate with athletes and consumers. By staying laser focused on our strengths, we had a good year. However, we are not satisfied with good or delivering just solid profitability. We aim higher than that, and we remain focused on delivering earnings growth that exceeds our revenue growth over the long term.

Leading through innovation will ensure that we deliver against our long-term goals, and that innovation demands focus. At Nike, we have an abundance of opportunities. There are more ideas and possibilities than we ever could or should pursue, and we are so very aggressive at developing those ideas that have the biggest potential for return.

At Nike we call this edit to amplify, and we do it at every level. We do it as footwear, apparel, sport categories, geographic markets, retail, marketing, everything.

Every idea no matter where it comes from has to prove its worth. And because we are so focused, we are able to conceive and commercialize game changing ideas that move this company and our industry forward, and fiscal 2012 was one of the most exciting years for Nike innovation that I have seen in my 33 years with the company.

Six years ago, we merged the physical world and the digital world with Nike+. This year we launched the must-have product of the year; the Nike+ FuelBand. It gives athletes at all fitness levels a way to measure progress towards their goal and compare and compete with others.

Digital technology is a vast frontier that is changing the face of sports along with every other aspect of life and business. And we are doing our very best to own and accelerate that evolution in our industry.

In apparel, we unveiled 32 new uniforms for the NFL that you're now seeing at the start of the season. Teams and players are competing in a new generation of technical performance on the field. And that's the advantage that we committed to delivering, and if the response from the players is any indication I think we did a pretty good job.

In footwear, we introduced Nike Flyknit. It's a technology that allows us to make the most of the shoe upper using little more than thread. It's incredibly lightweight, it's strong, it's breathable, and it's absolutely beautiful. And it significantly reduces the waste from the upper production process.

You know I am not surprised at the admiration and the imitation it's generated. It's an amazing opportunity with Nike Flyknit across our products and our brands.

When we look at the Nike FuelBand or Nike Flyknit, it's easy to think of them as quick strike eruptions into the market place, and we are capable of that. We trained to be opportunistic on short notice, but significant innovations are more often the result of long-term commitment.

When I started at this company, we were trying to make Nike a \$1 billion business. Things are different today. At the end of fiscal 2012, RUNNING alone is at \$3.7 billion wholesale business. Up 32 percent on fiscal 2012 and that's on top of a 30 percent jump the year before. China is a \$2.5 billion geography. And while growth in that economy has slowed, China's long-term potential remains undiminished.

And then Converse; when we acquired that brand nine years ago, it was just coming out of bankruptcy with a little over \$200 million in revenue. Today, Converse is a \$1.3 billion brand.

And Nike Inc. Direct To Consumer it's a \$3.9 billion sales channel that is also an innovation source for e-commerce, for customization and then exciting new destinations we create with our retail partners.

And then there is Lunar, which is the lightweight cushioning and stability technology that we launched at the Olympics back in Beijing. Today, it's a \$2 billion franchise at retail. Amazing.

And then Nike Free; one of our most popular franchise products; it started in running, but now delivers almost half of its revenue from outside the running category. And that's the leverage model at its very best.

These innovations have a lot in common. They are inspired by our most important partner; and that's the athlete. They all show tremendous potential but none of them came with a guarantee of success.

And most important for all of us in this room, they had the promise of contributing to long-term profitable growth of this company. And at the brand level, we believe growth can be found in our core businesses; that's NIKE, Converse, Jordan, and Hurley.

As a result, we made the decision at the end of fiscal 2012 to divest of two brands; Cole Haan and Umbro. These are tremendous with very passionate consumers, but it's crucial that we concentrate on better serving our core consumers.

I believe by becoming even more committed to efficiently growing this core, we can unlock our growth potential and continue to drive shareholder value. In fact, at our last investor day meeting we shared a revenue target of 28 to 30 billion dollars by the end of fiscal 2015. I remain confident in that goal even with a leaner portfolio of brands.

Finally, I want to talk about our most recent efforts in advancing sustainability. In this year's Olympics men's marathon in London, Kenyan marathoner Abel Kirui won the silver medal wearing a unique Nike singlet.

First, it was made from recycled plastic bottles that were ground into flakes and then melted and spun into thread, and once that thread was woven into fabric, it was dyed in his nation's colors without using any water, none.

This was our first Nike product created as a result of a relationship with the DyeCoo textile company. It's significant because the polyester apparel dye industry now uses trillions of gallons of water every year.

Now, if we can help change that paradigm, it will be a huge step toward the kind of resource management that we need to assure a sustainable future. This is just the latest example of Nike's far reaching explorations and advances in sustainability.

And I hope you will take a minute to review – actually more than a minute – to review our sustainable performance business summary that we published back in May. You know, there is really no finish line for sustainability but there are countless exciting opportunities. It does more than just help to build a better future for our world. It amplifies our ability to innovate and compete and really grow this company.

Now let's a quick look at fiscal 2013. We will report our Q1 fiscal 13 results in our earnings release next week, but today I want to share at a very high level what you as shareholders can expect from Nike this year.

I can tell you that the headwinds of the global economy will likely continue and we are not immune to that impact, no one is, but we have the strength and the flexibility to navigate them successfully.

I can tell you that we will continue to develop and invest in game changing innovation. You will see more integration of digital technology into the physical world of sports. There will be more communities of athletes and inspiring each other all over the world.

You will see Nike working as an advocate to increase access to sports for young people. You know, that's a big challenge, but we need an awakening; a movement that will open eyes and the doors to the benefits of fitness. We are excited about helping to make that happen.

But I think you can get the best glimpse into the future of Nike by looking back at this amazing summer of sport. Really so many incredible moments unfolded. Starting at the European football championships in Poland and the Ukraine. Five countries took the field in kits that were both high performance and highly sustainable. The Miami Heat won the NBA championship, and LeBron James captured his first ring and his third MVP title. What a year he's had.

At the Olympics just a few weeks later, it's hard really to pick the very best moment. The USA women soccer team won gold, both Farah and team Great Britain won two gold medals, and Galen Rupp from team USA and right here in Portland won silver.

Both men actually trained right here in Beaverton. In fact, right outside of this building on the Ronaldo field. It was very exciting to see them do as well as they did.

Ashton Eaton who thrilled the crowd during the Olympic trials in Eugene with a world record won the gold medal in the decathlon. An amazing performance, truly inspiring.

The US men's and women's basketball teams both won gold again and then Nathan Sorrel a young kid from London Ohio jogged down a country road and captured the hearts of millions of people all over world in our "Find Your Greatness" campaign. And who could miss those bright, Volt green Nike shoes on so many Olympic athletes? Incredible.

But what do these moments really say about our future together? They say very emphatically that we have a deep and meaningful relationship with these great athletes. And that's where we get the insights we need to create the products and services that help athletes win, and when athletes win, that inspires consumers and all of us to reach our full potential.

More than anything, this number of sport showed that we are really good at what we do if I may be so bold. And we are committed to this opportunity and the responsibility that comes with being a leader in our industry.

Lastly, I want to thank all of your for your continued support of this great company. I'm truly more confident than I've ever been about our future and you are a big part of that.

So with that, I would like to turn it over to our co-founder, our chairman and recent inductee to the Basketball Hall of Fame, Phil Knight. Thank you.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** If you were surprised that I am in the Basketball Hall of Fame you can't imagine what I was when I got the call. I can tell you as a senior at Cleveland high school averaging three points a game my old coach is rolling over in his grave, but they asked me and I wasn't going to turn it down.

Thank you, Mark.

John, I see that you have received the report of the Inspector of Election – will you please give me the results?

**John Coburn, NIKE, Inc., Corporate Secretary:** Yes, Phil. Holders of 100 percent of the Class A shares present voted in favor of the election of the Board's nominees for Class A directors; and holders of 99.6 percent of the Class B shares present voted in favor of the Board's nominees for Class B directors. Holders of 92.5 percent of the Class A and Class B shares present and voting together voted to approve the compensation of the named executive officers listed in the proxy statement. Holders of 100 percent of the Class A and 88.9 percent of the Class B shares present and voting approved the amendment of the Articles of Incorporation to increase the number of authorized shares.

Holders of 97.7 percent of the Class A and Class B shares present and voting together voted in favor of re-approving and amending the Long-Term Incentive Plan. Holders of 99 percent of the Class A and Class B shares present and voting together ratified the selection of PricewaterhouseCoopers as the Company's independent registered public accounting firm. Holders of 77.6 percent of the Class A and Class B shares present and voting together voted against the shareholder resolution, so it did not pass.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Thank you.

The 12 nominees have been duly elected as Directors of the Company for the ensuing year; the compensation of the named executive officers has been approved; the amendment to the Articles of Incorporation has been approved; the re-approval of and amendments to the Long-Term Incentive Plan have been approved; PricewaterhouseCoopers' selection as the independent registered public accounting firm for the next fiscal year has been ratified; and the shareholder resolution did not pass.

Before we turn to question and answer I missed something in the opening, and I would like to make amends for it now. We have two other people here that I meant to introduce and I will do that now.

Jan Logan and Hans Running bought Nike shares on its opening in December of 1980, and have held their shares ever since. So would you please stand up?

OK if Mark and Charlie Denson – Charlie is the president of the Nike brand, Don Blair is the Chief Financial Officer, and Hannah Jones is the Vice President of many things including Corporate Responsibility and if you give me some questions, we will try and answer them.

OK, this is – they tell this should be to Mark Parker.

## QUESTION AND ANSWER SECTION

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** How does Nike measure and reward employees based on the emotional connection to consumers, which is the heart and soul of the company that Mr. Knight and Mr. Bowerman founded? I'm glad they got you the question.

**Mark Parker, NIKE, Inc., President and Chief Executive Officer:** That's a good one. A good question. Well actually it's interesting we have coming up in just a few weeks what we call the annual Nike Maxim awards, and the Maxim's are a short list of guiding principles, beliefs, how we think and act as a company. There is 11 of them, not 10, 11, that really represent the emotional connection we have to the consumer in large part.

So this is a chance for everyone around the company to nominate each other and then we narrow it down to some finalists per each of the 11 maxims and then we vote as employees and then we celebrate that at this maxim awards event and then we recognize those stories throughout the year on our internal website.

So it's really important – it's a great question – it's really important that we put that out front and center so people can really understand how important that connection to the athlete and consumer really is. It's really the foundation of our success and relevance of the company.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Charlie Denson, has the company considered hosting a PGA event in Oregon to help support Nike golf?

**Charlie Denson, President, NIKE Brand:** Well, I think we always look at different opportunities across the sport landscape the hosting a PGA event would obviously come under that description.

We've currently not considered it. I think over the years we've taken a look at it at a couple of different times but currently no consideration for that.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Don Blair, will Nike be announcing a stock split since the stock is hovering at \$100 a share?

**Don Blair, NIKE, Inc. VP & Chief Financial Officer:** Well you know we do periodically split our stock to make the price more accessible for small shareholders and also improve trading liquidity. We did not have the capacity prior to today to actually split the stock but now that the shareholders have approved that one of the reasons was to give the board the flexibility to split the stock.

So going forward we'll continue to monitor how our stock trades and overall market conditions and when we think it's beneficial for the shareholders, we'll recommend to the board that we split the stock.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Charlie Denson, will Nike be active at the Winter Olympics?

**Charlie Denson, President, NIKE Brand:** I hope so.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** We better be.

**Charlie Denson, President, NIKE Brand:** There you go. No I think – certainly as Mark Parker referenced his commentary that we are very proud of what we are able to achieve in London both from a brand standpoint and certainly from a business standpoint. And the Winter Olympics offers a chance to do it again.

Obviously, some of the winter Olympic sports we don't have as big a presence as in some of the summer Olympics but I think highlighted by our relationship with the International Hockey Federation, which is obviously the biggest team sport that will take place in Sochi will be a major part of that, and we are looking forward to it.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Charlie Denson, shareholders favorite today. Are you developing any product lines to protect against head injuries for athletes?

**Charlie Denson, President, NIKE Brand:** I think right now we don't have any product in our product line around the protective area of the head. Obviously, when we had the Bauer brand it was something that was a component of that product line but since we've dispersed of the Bauer brand we are currently not working on anything– and I think it's something that we watch very closely and I think it's playing a much bigger role in team sports as it is today. But nothing right now that we have in our product line that will address that.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** And the final question we have for Mark Parker, do you have any formal succession planning process? It's a tough question for such a young whipper-snapper.

**Mark Parker, NIKE, Inc., President and Chief Executive Officer:** For me? No. No actually we do. It's a very, very important part of how we manage the leadership team of this company. So we have a very disciplined and involved process that includes the board of directors and the leadership of the company.

And we meet regularly as a leadership team to look at the succession planning as well with the board and the compensation committee to review those plans. And that will be the topic of – one of the focal points for this upcoming November meeting, which is the yearly cycle we are on. We look at succession planning in November and then again with the full board in January/February.

So yes, very serious about that.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Since we have not received notice of any other business, we will adjourn this meeting now as we always do with a video. Shareholders who would like to have a brief tour of the Nike World Campus can join that as you exit the meeting. Thank you all for coming.