

THERE  
IS NO  
FINISH  
LINE.

NIKE, INC.  
1988  
ANNUAL  
REPORT



## CONTENTS

- 1 To Our Shareholders
- 2 NIKE 1988
- 16 Highlights
- 17 Management Discussion and Analysis
- 19 Financial Statements
- 32 Directors and Officers

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

*NIKE has attained its premier position in the industry through quality production, innovative product and aggressive marketing.*

## TO OUR SHAREHOLDERS:

\$2.70.

That's our per share earnings for fiscal year 1988. It breaks our previous best per share earnings figure by 74%. I should just print it in 12-inch letters and forget about further efforts at a Chairman's letter.

I forego that temptation in an effort within this limited forum to try to inform and give some perspective to our owners. I start with the basics of the business, take a brief look at our history, and close with where we are going.

This business involves a fast-moving market with a much slower product development process. The combination dictates against steady annual earnings increases for companies after they reach a certain size. It does not mean it cannot be managed or it is not a good business to be in, but it does cause periodic earnings downturns. It then becomes management's job to keep the downturns fewer, more shallow, and push the trend line ever upward.

We went public in December, 1980 at a price of \$11 per share, adjusted for one 2-for-1 split. At the end of that fiscal year, book value per share was \$2.50, slightly less than this year's earnings. Seven years and one \$50 million stock offering later, our book value is \$11 per share. We have earned over \$300 million and our return on investment for that seven-year period has averaged 22% — with this year's 27%.

In addition, we started paying dividends in 1984 and since then have paid out a total of \$1.80 per share in cash to our shareholders.

During this period we have maintained our position as America's leading performance brand of sports shoes — as distinguished from a fashion brand of sports shoes.

So, despite much rhetoric to the contrary, I conclude "not bad," and submit that this performance is in keeping with the growth we continually strive to achieve. More importantly, it should justify a price-earnings multiple greater than eight.

In reviewing the six objectives we set in the 1986 Annual Report, there is room for further improvement.

Those goals, and how I would grade our progress in achieving them, are:

1. Protect and improve NIKE's position as the number one athletic brand in America, with particular attention to the Company's existing core businesses in running, basketball, tennis, football, baseball and kids', and newer businesses with good potential like golf and soccer. (Grade: A)
  2. Build a strong momentum in the growing fitness market, beginning with walking, workout and cycling. (Grade: A)
  3. Intensify the Company's effort to develop products that women need and want. (Grade: D)
  4. Explore the market for products specifically designed for the requirements of maturing Americans. (Grade: F)
  5. Direct and manage the Company's international business as it continues to develop. (Grade: A-)
  6. Continue the drive for increased margins through proper inventory management and fewer, better products. (Grade: B)
- Cumulative GPA: 2.67.

These grades do not cause me particular pride. If either of my sons brought home a report card like that, I would have a long talk with him. The good news is that the opportunities have not yet disappeared. Of most interest is the women's effort. While our 1988 sales increased over \$300 million, sales of our women's shoe models dropped to 15% of our mix from 22% in 1987. Early 1989 bookings for women's NIKE-AIR® and our new i.e.™ line indicate we are beginning to reverse this trend. However, I am the first to admit we have a long way to go in a market that is far bigger than men's.

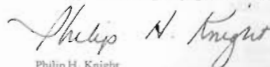
And what of NIKE's overall future?

It is not hard to understand. In simplest form there are just two parts to the puzzle — people and strategy.

The Company has gone through a transition. All of the vice presidents listed on the 1981 Annual Report have left. They have been replaced, for the most part, with people who have risen through the ranks, supplemented by a few recruited from the outside. This mix, in the past year, performed far better than any group we have ever had. I believe that NIKE's people are the envy of the industry.

Our strategy was made clear with the May acquisition of Cole Haan, the nation's premier dress shoe company. We now have the most prestigious brands at both ends of the footwear spectrum. The goal is to fill in the blanks. Then tie the blanks into the apparel division and take them into our distribution system worldwide.

As our current advertising campaign states, all we have to do now is "Just Do It."



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



*Air Stab (women)*

From the very beginning, the philosophy at NIKE has best been described by our phrase, "There is no Finish Line."

This is just as true now, after a record-setting year, as it was in the early days. Our continuing goal is to provide the best performance products.

Just as the race is won when no one is looking—during those miles and hours of training—so will we continue to strive on a daily basis to make even greater footwear products; to improve our International business; to become the leading sports apparel company in the world. The embodiment of the "No Finish Line" attitude is demonstrated by the ten years we've spent developing and refining our NIKE-AIR® cushioning systems. And we are still pushing the limits of Air technology; never has our commitment to this area been as strong.

That emphasis flows into marketing as well, where we're putting more and more resources and energy to work for the future. Our efforts paid off in 1988 with sales increases in virtually all product categories. Through continued hard work we will reinforce this broad base of popularity of the NIKE brand in 1989. The resurgence of sales in the Running category is related to our ongoing breakthroughs in athletic shoe technology. The Air Stab incorporates the NIKE Footbridge,™ a midsole insert that enhances stability without sacrificing weight, flexibility or cushioning.

In 1988 we sold over 1,000,000 pairs of the first shoe with visible-Air, the Air Max—a \$40 million business in itself! NIKE International apparel is the elite look for top track and field athletes around the world, and is reinforcing our leadership position in Running. Our superior Track and Field products have been a factor in helping NIKE athletes in their quests at the Summer Games in Seoul.

NIKE Basketball stayed in championship form in 1988. On and off the court, NIKE teams, players and products dominated an extremely competitive sport and industry. Basketball revenues were the highest in the Company's history.

College basketball's NCAA champions and scores of high school teams proudly wore the NIKE Swoosh. Team Sales—a barometer of high school penetration—again showed significant gains, the result of an ongoing program that has played an integral role in establishing NIKE as the undisputed leader in supplying authentic athletic footwear and apparel. Begun in 1982, it is the longest-running retailer service program at NIKE. The 600 team dealers in the U.S. can count on Team Sales to provide dependable delivery, in-season servicing, 24-hour turnaround and a total commitment from NIKE's full-time regional staff. NIKE Team Sales services Basketball as well as Track and Field, Volleyball, Cheerleading, Soccer, Wrestling, Football, Baseball, Softball, Field Hockey and Lacrosse, covering more categories than any other athletic shoe manufacturer in the industry.

Michael Jordan remains the centerpiece of NIKE Basketball. In 1988 we introduced the third generation of Basketball products under the Air Jordan® label. New products and programs are in place for 1989. The Force collection of shoes and apparel is built to support the aggressive power game of players such as Charles Barkley. The Flight collection, which captures the grace, imagination and style of Michael Jordan, will keep NIKE in command of the Basketball category.

*Air Force III High (new)*







*Women's Air Play*

NIKE stormed the technical Tennis market with innovative features such as NIKE-AIR® cushioning, the long-wearing Durathane forefoot cup and ski-lock heel stability. Bold neon colors, a trend in tennis equipment, footwear and apparel, are mirrored on the outsole of the popular Air Play model.

The products have received good exposure through highly visible athletes like John McEnroe, Mats Wilander, the Soviet men's and women's tennis teams and American sensation Andre Agassi.

Part of the success of the tennis line is due to the Specialty Tennis sales force whose sole responsibility is the servicing of the specialty account base, focusing on tennis products and programs. The sales agents are located in key markets. They assure priority 24-hour turnaround on orders and implement sales programs designed to accommodate the buying patterns of specialty retailers. Similar programs are in place for Cycling and Golf specialty accounts.

NIKE Tennis is at the forefront of technology and we will continue to provide a complete line of shoes and apparel for men and women, using the latest in performance-designed fabrics and features.

The "No Finish Line" attitude carries NIKE forward in Tennis just as it drives players to hit that extra bucket of balls to perfect their serve.



It has been said that NIKE didn't start the running boom in 1972, we started the Fitness revolution. Sixteen years later we are the leader in Cross-Training, the hottest Fitness activity and footwear category in the industry.

It all began when we first defined the category in 1986. We introduced a product with the cushioning of a running shoe and the stability of a court shoe. The concept met with instant enthusiasm in the marketplace. We remain at the forefront of the explosive Cross-Training category, with the best product and product support in the industry.

The current excitement surrounding Cross-Training created a need for better information. So NIKE produced a series of audio tapes and an accompanying book outlining a sensible approach to Cross-Training. The NIKE fitness information programs back up our products with up-to-date, research-based facts for the consumer.

The influence of Fitness on contemporary apparel styling is seen on the street and is here to stay. Our success in this area comes from creating functional products, like our extremely popular Lycra® offerings, with a great look. Technology continues to lead the Fitness and Cross-Training categories. The Air Trainer TW has a washable Durable upper, enhancing the quality and durability of the product and adding value to the customer's purchase. Durable will have many future applications for NIKE in the Tennis, Walking, Children's and Fitness areas.

In Aerobics, the Air Elite® for women, utilizing visible NIKE-AIR® cushioning, is state-of-the-art technology for a segment that has plenty of room for growth for NIKE.

*Air Trainer SC (men) Air Elite® (women)*





It has been said that NIKE didn't start the running boom in 1972, we started the Fitness revolution. Sixteen years later we are the leader in Cross-Training, the hottest Fitness activity and Footwear category in the industry.

It all began when we first defined the category in 1986. We introduced a product with the cushioning of a running shoe and the stability of a court shoe. The concept met with instant enthusiasm in the marketplace. We remain at the forefront of the explosive Cross-Training category, with the best product and product support in the industry.

The current excitement surrounding Cross-Training created a need for better information. So NIKE produced a series of audio tapes and an accompanying book outlining a sensible approach to Cross-Training. The NIKE fitness information programs back up our products with up-to-date, research-based facts for the consumer.

The influence of Fitness on contemporary apparel styling is seen on the street and is here to stay. Our success in this area comes from creating functional products, like our extremely popular Lycra® offerings, with a great look.

Technology continues to lead the Fitness and Cross-Training categories. The Air Trainer TW has a washable Durable upper, enhancing the quality and durability of the product and adding value to the customer's purchase. Durable will have many future applications for NIKE in the Tennis,

Walking, Children's and Fitness areas. In Aerobics, the Air Elite® for women, utilizing visible NIKE-AIR® cushioning, is state-of-the-art technology for a segment that has plenty of room for growth for NIKE.

*Air Trainer TW (men) Air Elite® (women)*



A key to our success is strength in every category. Last year, our Hiking business doubled in size. This area—newly typified by bright, vibrant colors, unique materials and applications, quality leathers, new textures and up-to-the-minute technology—has become one of the leading-edge trends in fashion as well as functional footwear. This breaking with tradition fits the NIKE philosophy and the result is innovative products like the Son of Lava Dome and the Lava High which have revolutionized the hiking market.

The Walking pace continues to pick up, as shown by the strong sales in 1988. The category tripled over the previous year, with women's sales overtaking men's for the first time, consistent with the number of female participants in the Walking category.

*Son of Lava Dome (men's)*







*Air Strike Supreme M (mini)*

NIKE International was an important part of our balanced growth in 1988, with foreign revenues up 29%. Worldwide, demand for NIKE product has never been higher, as evidenced by the strength and popularity of our brand in such diverse markets as France, Venezuela and China.

Our efforts in the important European soccer market are paying off, with significant inroads made over the past years.

Good product plus visibility on prestigious teams like ASM Monaco, individual players on the Glasgow Rangers and other major European teams, as well as players of international caliber like Welsh National Champion Ian Rush and French National Captain Manuel Amoros have spearheaded our progress in European soccer. Our efforts are underway for the 1990 World Cup in Italy, and beyond, when the U.S. hosts the World Cup for the first time in 1994.

Domestic soccer experienced a big breakthrough with the Air Strike Supreme series which captured the imagination of the American soccer market. In 1989, we expect to continue to provide superior cleated product, supported by the best delivery and the best service in the industry.

NIKE continues to be the only athletic footwear manufacturer offering a line of technical performance shoes designed and developed for kids. The demand for this product led to the introduction of the Air Revolution, the first visible-Air basketball shoe for children.

A chief concern for parents is durability, which brought about the Dura Max and Dura Force High and Low models. In the U.S., these shoes are covered under a protection plan which guarantees the shoe will be outgrown before it wears out.

In May 1988, NIKE acquired Cole Haan, a maker of upscale, traditional, top quality footwear for men, women and children. This is another step in a diversification strategy to broaden our base of revenues without sacrificing our athletic heritage.

We feel this represents an opportunity where one plus one equals three. We're confident the synergy created by this marriage of the best in the athletic footwear industry with the best in the dress and casual shoe business will enhance both product lines as well as create new footwear markets.

The i.e.™ NIKE sub-brand of sport-inspired casual footwear for women, which was introduced to the marketplace in 1988, is another example of this diversification. This strategy will have far-reaching effects as we direct our efforts into new footwear frontiers. Our work is just beginning. At NIKE, there is no finish line.

*Cole Haan offers collections for men, women and children*



## HIGHLIGHTS

### Select Financial Data

	1988	1987	1986	1985	1984
	<i>(in thousands, except per share data)</i>				
<b>Year Ended May 31:</b>					
Revenues	\$1,203,440	\$877,357	\$1,069,222	\$946,371	\$919,806
Net income	101,695	35,879	59,211	10,270	40,690
Net income per common share	2.70	.93	1.55	.27	1.07
Cash dividends declared per common share	.40	.40	.40	.40	.20
<b>At May 31:</b>					
Working capital	\$298,816	\$325,200	\$278,784	\$217,849	\$254,347
Total assets	709,095	511,843	476,838	503,966	559,159
Long-term debt	30,306	35,202	15,300	7,573	8,823
Redeemable Preferred Stock	300	300	300	300	300
Common shareholders' equity	411,774	338,017	316,846	271,668	274,536

### Select Quarterly Financial Data

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	1988	1987	1988	1987	1988	1987	1988	1987
	<i>(in thousands, except per share data)</i>							
Revenues	\$282,828	\$257,213	\$234,408	\$183,063	\$331,787	\$199,418	\$354,417	\$237,663
Gross profit	95,402	83,817	70,943	56,749	106,397	60,669	127,318	79,460
Net income	25,081	14,940	18,547	5,189	27,399	4,255	30,468	11,495
Net income per common share	.65	.39	.50	.13	.74	.12	.81	.29
Dividends declared per common share	.10	.10	.10	.10	.10	.10	.10	.10
Price range of common stock								
High	22 1/2	20 1/2	24 1/4	15 1/4	23	15	26 1/2	18 1/4
Low	16 1/4	13 1/4	14	10 1/4	14 1/4	11 1/4	21 1/4	14

The Company's Class B Common Stock is traded in the NASDAQ National Market System under the NASDAQ symbol NIKE. At May 31, 1988, there were 35 security dealers making a market in the stock and there were approximately 4,200 shareholders of record.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Highlights

During 1988 the Company established new records for revenues and net income. Consolidated revenues exceeded \$1.2 billion, a 37% improvement over 1987 and 13% above the Company's previous record set in 1986. Net income for 1988 was \$101.7 million or \$2.70 per share, beating the previous bests of \$59.2 million and \$1.55 per share in 1986. Other highlights of 1988 included:

- The May acquisition of Cole Haan, a leading designer, and marketer of high-quality, classic footwear.
- A \$14 million refund from the U.S. Government in a customs litigation settlement.
- A favorable reduction in the federal income tax rate.

### Results of Operations

The growth in 1988 revenues was led by the success of NIKE-AIR products. Domestic footwear shipment sales in 1988 rose 24% over the previous year, while the average sales price per pair increased 22%. The increase in sales price is attributable to a larger percentage of sales of high-end products and to a general increase in prices required by higher production costs. Foreign revenues benefited from a weaker U.S. dollar allowing NIKE to price its products more competitively in the marketplace. The approximate breakdown of revenues by product category follows:

	1988	Year Ended May 31, 1987		1986
		<i>(in thousands)</i>		
<b>Footwear</b>				
Basketball	\$213,500	\$132,500	\$212,600	
Running	164,400	115,500	150,000	
Children's	123,100	75,600	115,400	
Fitness	103,000	76,600	54,100	
Racquet	57,000	36,200	68,500	
Field sports	40,400	43,900	35,400	
Other	56,300	29,700	13,500	
Total footwear	757,500	510,000	649,500	
Apparel	142,900	130,700	164,600	
Athletic equipment	—	900	2,500	
Total United States	900,400	641,600	816,600	
<b>Foreign</b>				
Europe	233,400	191,400	166,300	
Japan	—	—	42,400	
Canada	31,500	20,300	22,900	
Other	38,100	24,100	21,100	
Total foreign	303,000	235,800	252,700	
Total NIKE	\$1,203,400	\$877,400	\$1,069,300	

In addition to increased revenues, other factors contributing to the 1988 earnings growth were an improved gross margin, a lower effective income tax rate and an increase in income from other sources. The gross margin improvement was primarily attributable to increased sales of higher margin products and to inventory management.

In 1987 net income declined primarily due to decreased revenues caused by reduced quantities sold. 1986 net income was helped by the large volume of sales generated by Air Jordan basketball products.

Selling and administrative expenses in 1988 exceeded those in each of the previous two years due to increases in sales volume related expenses and in wages. Total selling and administrative expenses as a percentage of revenues were 20.5% compared to 23.3% in 1987 and 19.6% in 1986.

Other income includes \$9.3 million of interest income, and \$14 million received from the U.S. Government in settlement of litigation related to U.S. Customs duty which increased earnings per share by \$.23. Interest income has increased in each of the last two years due to increased investment in short-term instruments. Included as other income in 1987 is a \$3.7 million non-taxable gain partially offset by profit sharing expense and by the loss on disposition of two subsidiaries. In 1986, other expense included costs of manufacturing plant shutdowns in Maine and Ireland, and the effect of the Company selling its 51% ownership in a Japanese subsidiary and in terminating its Japanese Joint Venture agreement.

As a result of the Tax Reform Act of 1986, the Company's effective income tax rate for fiscal 1988 was 39% compared to 31% in 1987 and 52% in 1986. The tax rate exceeds the top federal statutory rate primarily due to state income taxes.

"Futures" orders booked for domestic delivery of footwear from June through November 1988 are approximately 42% above such orders booked in the comparable period in the prior year. Because the mix of "futures" and "at once" shipments may vary significantly from quarter to quarter and from year to year, "futures" orders received are not necessarily indicative of total revenues for subsequent periods.

#### *Liquidity and Capital Resources*

The Company's financial condition remains strong. Assets at May 31, 1988 total \$709 million, up from \$512 million at the end of the previous year. Accounts receivable and inventories reflect the largest increases over the prior year. Cash and equivalents at May 31, 1988 totalled \$75 million, compared to \$127 million at May 31, 1987. Cash was used to finance additional receivables, purchase additional inventory, purchase NIKE stock and in the acquisition of Cole Haan. Working capital at May 31, 1988 was \$26 million less than the previous year primarily because of the Cole Haan acquisition. The current ratio at May 31, 1988 was 2.2:1 compared to 3.6:1 at May 31, 1987.

The increase in inventory over the previous year is necessary to fulfill the large volume of orders scheduled for shipment in the first quarter of fiscal 1989. Inventory turned five times in 1988 compared to four times in 1987. Accounts receivable have increased due to rising 1988 sales.

Capital expenditures for 1988 aggregated \$25 million. They are primarily attributable to the construction of a new western region distribution facility and electronic data processing purchases. In 1987 and 1986 capital expenditures were \$12 million and \$17 million respectively. The Company is currently planning to begin construction of its new world headquarters building in the fall of 1988. This structure will be used to consolidate offices now occupying seven leased facilities. The construction will be financed internally. Most of the manufacturing of NIKE products is done on a contract basis through independent factories, consequently the Company has little invested in manufacturing plant and equipment.

Quarterly cash dividends of \$.10 per share, initially declared in February 1984, were continued through fiscal 1988. Based upon currently projected earnings and cash flow requirements, the Company anticipates continuing the dividend.

In May 1988 the Company borrowed \$85 million from available committed and uncommitted credit lines to fund the acquisition of Cole Haan. At May 31, 1988 the Company has \$75 million in unused lines of credit available on its multiple option facility agreement. See note 7 of the consolidated financial statements for further details concerning

the Company's short-term borrowings. NIKE's ratio of debt to equity at May 31, 1988 is 7:1 compared to 5:1 at May 31, 1987 and 1986. Management believes that currently available resources, together with funds generated by operations, will adequately finance 1989 working capital requirements and capital expenditures.

## **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 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 13, 1988*

*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, 1988 and 1987, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 1988, 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*



NIKE, INC.  
CONSOLIDATED STATEMENT OF INCOME (in thousands, except per share data)

	Year Ended May 31,		
	1988	1987	1986
Revenues	\$1,203,440	\$877,357	\$1,069,222
Costs and expenses:			
Cost of sales	805,580	596,662	722,923
Selling and administrative	246,583	204,742	209,219
Interest (Notes 7 and 8)	8,004	8,475	15,820
Other (income) expense (Notes 4, 9, 12, and 15)	(20,722)	(6,201)	11,243
	1,037,245	803,678	959,205
Income before provision for income taxes and minority interest	166,195	73,679	110,017
Provision for income taxes (Note 9)	64,300	37,800	57,760
Income before minority interest	101,695	35,879	52,257
Minority interest	—	—	(6,954)
Net income	\$ 101,695	\$ 35,879	\$ 59,211
Net income per common share (Note 1)	\$2.70	\$ .95	\$1.55
Average number of common and common equivalent shares (Note 1)	57,639	38,393	38,179

NIKE, INC.  
CONSOLIDATED BALANCE SHEET (in thousands)

	May 31,	
	1988	1987
Assets		
Current Assets:		
Cash and equivalents	\$ 75,357	\$126,867
Accounts receivable, less allowance for doubtful accounts of \$6,164 and \$6,546	258,393	184,459
Inventories (Note 2)	198,470	120,663
Deferred income taxes (Note 9)	8,569	10,576
Prepaid expenses	12,793	6,717
Total current assets	553,582	449,282
Property, plant and equipment (Notes 6 and 8)	112,022	96,988
Less accumulated depreciation	54,319	48,508
	57,703	48,480
Goodwill (Notes 1 and 3)	84,747	3,393
Other assets	13,063	10,688
	\$709,095	\$511,843
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current portion of long-term debt (Note 8)	\$ 1,573	\$ 4,800
Notes payable to banks (Note 7)	135,215	43,145
Accounts payable (Note 7)	50,288	28,036
Accrued liabilities	59,075	39,792
Income taxes payable	8,617	8,309
Total current liabilities	254,766	124,082
Long-term debt (Note 8)	30,306	35,202
Non-current deferred income taxes and purchased tax benefits (Note 9)	11,949	14,242
Commitments and contingencies (Note 14)	—	—
Redeemable Preferred Stock (Note 10)	300	300
Shareholders' equity (Note 11):		
Common Stock at stated value:		
Class A convertible — 14,453 and 14,598 shares outstanding	173	174
Class B — 22,650 and 23,340 shares outstanding	2,696	2,705
Capital in excess of stated value	69,737	85,542
Foreign currency translation adjustment	(1,157)	(1,938)
Retained earnings	340,325	253,334
	411,774	338,017
	\$709,095	\$511,843

	Year Ended May 31,		
	1988	1987	1986
Cash provided (used) by operations:			
Net income	\$101,695	\$ 35,879	\$59,211
Income charges (credits) not affecting cash:			
Depreciation	14,020	12,078	10,549
Deferred income taxes and purchased tax benefits	(211)	8,486	5,515
Minority interest	—	—	(6,934)
Other	432	2,494	1,225
Changes in certain working capital components:			
(Increase) decrease in inventory	(60,082)	59,542	6,080
(Increase) decrease in accounts receivable	(64,187)	1,174	29,164
(Increase) decrease in other current assets	(5,624)	4,331	691
Increase (decrease) in accounts payable, accrued liabilities and income taxes payable	32,976	8,462	(31,950)
Cash provided by operations	19,019	132,446	73,351
Cash provided (used) by investing activities:			
Additions to property, plant and equipment	(25,513)	(11,874)	(16,723)
Disposals of property, plant and equipment	8,865	1,728	8,192
Liquidation of minority interest	—	—	9,555
Acquisition of Cole Haan:			
Goodwill	(82,044)	—	—
Net assets acquired	(13,086)	—	—
Additions to other assets	(1,445)	(930)	(975)
Cash used by investing activities	(115,225)	(11,076)	(153)
Cash provided (used) by financing activities:			
Additions to long-term debt	12	30,332	8,975
Reductions in long-term debt including current portion	(11,693)	(10,678)	(1,745)
Increase (decrease) in notes payable to banks	82,185	(18,489)	(55,939)
Proceeds from exercise of options	2,262	1,911	3,452
Issuance of common stock	5,813	—	—
Dividends—common and preferred	(14,904)	(15,188)	(15,085)
Purchase and retirement of common stock	(21,890)	—	—
Cash provided (used) by financing activities	41,785	(12,112)	(60,362)
Effect of exchange rate changes on cash	911	(529)	(1,715)
Net increase (decrease) in cash and equivalents	(31,510)	108,729	11,121
Cash and equivalents, beginning of year	126,867	18,138	7,017
Cash and equivalents, end of year	\$ 75,557	\$126,867	\$18,138

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

	Common Stock				Capital In Excess of Stated Value	Foreign Currency Translation Adjustment	Retained Earnings	Total
	Class A		Class B					
	Shares	Amount	Shares	Amount				
Balance at May 31, 1985	16,628	\$199	20,763	\$2,673	\$78,206	\$ 1,873	\$188,717	\$271,668
Stock options exercised	210	3	171	2	3,427			3,432
Conversion to Class B Common Stock	(1,787)	(22)	1,787	22				--
Translation of statements of foreign operations						(4,576)		(4,576)
Disposal of foreign subsidiary						2,196		2,196
Net income—year ended May 31, 1986							59,211	59,211
Dividends on Redeemable Preferred Stock							(30)	(30)
Dividends on Common Stock							(15,055)	(15,055)
Balance at May 31, 1986	15,051	180	22,721	2,697	81,633	(507)	252,843	\$16,846
Stock options exercised			166	2	1,909			1,911
Conversion to Class B Common Stock	(453)	(6)	453	6				--
Translation of statements of foreign operations						(1,431)		(1,431)
Net income—year ended May 31, 1987							35,879	35,879
Dividends on Redeemable Preferred Stock							(30)	(30)
Dividends on Common Stock							(15,158)	(15,158)
Balance at May 31, 1987	14,598	174	23,340	2,705	83,542	(1,938)	253,534	338,017
Stock options exercised	174	2	109	1	2,259			2,262
Conversion to Class B Common Stock	(319)	(5)	319	3				
Translation of statements of foreign operations						781		781
Net income—year ended May 31, 1988							101,695	101,695
Dividends on Redeemable Preferred Stock							(30)	(30)
Dividends on Common Stock							(14,874)	(14,874)
Purchase and retirement of Common Stock				(1,362)	(16)	(21,870)		(21,890)
Issuance of Common Stock			244	3	5,810			5,813
Balance at May 31, 1988	14,453	\$173	22,630	\$2,696	\$69,757	\$81,157	\$340,325	\$411,774

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

# NIKE, INC.

## NIKE 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 foreign operations have been consolidated for fiscal years ending in April.

#### Recognition of revenues:

Revenues recognized include sales plus fees earned on sales by licensees.

#### Cash and equivalents:

Cash and equivalents represent cash and short-term, highly liquid investments with maturities of essentially 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 inventories.

#### 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.

#### Goodwill:

At May 31, 1988 the Company's excess of purchase cost over the fair value of net assets of businesses acquired was \$84,747,000, net of amortization of \$2,807,000. This excess is being amortized on a straight-line basis over periods of eight and forty years.

#### Foreign currency translation:

Assets and liabilities of foreign operations are translated into U.S. dollars at current exchange rates. Income and expense accounts are translated into U.S. dollars at average rates of exchange prevailing during the period. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are taken directly to a separate component of shareholders' equity. Foreign currency transaction gains and losses are included in income.

#### Income taxes:

Deferred income taxes are recognized for timing differences between income for financial reporting purposes and taxable income. Income taxes are provided currently on earnings of foreign subsidiaries expected to be repatriated.

In December 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 96, Accounting for Income Taxes. SFAS 96 requires use of the liability method for computing deferred income taxes. One of the principal differences from the deferred method used in these financial statements is that changes in tax rates and laws will be reflected in income from continuing operations in the period such changes are enacted; whereas under the deferred method such changes were reflected over time, if at all.

The Company plans to adopt this statement in fiscal 1989 or 1990, as permitted under the transition rules, but has not yet quantified the effect adoption will have on the consolidated financial statements.

#### 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 with 1988 and 1987 classifications.

### Note 2—Inventories:

Inventories by major classification are as follows:

	May 31,	
	1988	1987
	(in thousands)	
Finished goods	\$194,263	\$118,783
Work-in-process	2,523	1,140
Raw materials	1,684	740
	<u>\$198,470</u>	<u>\$120,663</u>

The excess of replacement cost over LIFO cost approximated \$14,792,000 at May 31, 1988 and \$4,288,000 at May 31, 1987. During 1988, 1987 and 1986, certain inventory quantities were reduced resulting in liquidations of LIFO inventory quantities carried at different costs prevailing in prior years as compared with the cost of 1988, 1987 and 1986 purchases. For the years ended May 31, 1988, 1987 and 1986 the liquidation of LIFO inventory quantities resulted in an increase (decrease) to cost of sales of approximately (\$769,000), \$1,452,000 and (\$1,088,000) and to earnings per share of \$.01, (\$.02) and \$.01 respectively.

### Note 3—Acquisition of Cole Haan Holdings, Inc.:

On May 24, 1988 NIKE acquired substantially all the stock of Cole Haan Holdings, Inc. (Cole Haan) and its subsidiaries. Cole Haan is a leading designer and marketer of high quality casual and dress shoes. The acquisition was accounted for using the purchase method of accounting. The purchase price was \$80 million plus repayment of debt of \$15 million. The Company paid for the purchase with \$89.2 million in cash and by issuing 243,713 shares of NIKE stock, with a market value of \$5.8 million, for the remainder.

Cole Haan's assets and liabilities have been recorded in the Company's consolidated balance sheet at their fair values at the acquisition date. At May 31, 1988, assets of the newly acquired company totaled \$35 million, exclusive of goodwill. Since Cole Haan was acquired so close to NIKE's fiscal year end, its operating results for the few days of NIKE ownership were not material and are not included in the Company's 1988 consolidated statement of income. The excess of cost over the fair value of net assets acquired totaled approximately \$82 million and has been accounted for as goodwill, which is being amortized over forty years.

The following unaudited combined pro forma information shows the results of the Company's operations as though the acquisition had occurred on June 1, 1987 and 1986:

	1988	1987
Revenues (in thousands)	\$1,268,430	\$924,461
Net income (in thousands)	\$99,299	\$14,220
Earnings per share	<u>\$2.64</u>	<u>\$8.89</u>

The pro forma results of operations are not necessarily indicative of the actual results of operations that would have occurred had the purchase been made at the beginning of the respective periods, or of results which may occur in the future.

### Note 4—Customs Settlement:

During 1988 the Company settled a customs duty dispute with the U.S. Government relating to valuation methods used for certain NIKE imports from 1979 to 1981. This settlement resulted in a refund of duties and interest to the Company of approximately \$14 million. The settlement proceeds are included in other income in the consolidated financial statements for the year ended May 31, 1988.

**Note 5—Sale of Japanese subsidiary:**

In May 1986 NIKE sold its 51% interest in its Japanese subsidiary and terminated its Japanese joint venture agreement. The transactions had a nominal effect on after tax income, the components of which are included in other expense and the provision for income taxes. The subsidiary had total assets of \$71,000,000 at the time of sale. For the year ended May 31, 1986 total revenues for this subsidiary included in the consolidated statement of income were \$42,000,000; NIKE's share of the net loss included in operations amounted to \$7,145,000 for the year ended 1986. The Company continues to market its products in Japan through a licensing agreement.

**Note 6—Property, plant and equipment:**

Property, plant and equipment includes the following:

	May 31,	
	1988	1987
	(in thousands)	
Land	\$ 9,245	\$12,206
Buildings	13,412	7,773
Machinery and equipment	79,258	66,752
Leasehold improvements	8,836	7,452
Construction in process	1,271	2,805
	112,022	96,988
Less accumulated depreciation	54,319	48,508
	<u>\$ 57,703</u>	<u>\$48,480</u>

**Note 7—Short-term borrowings and credit lines:**

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

	Banks		NIAC	
	Borrowings	Interest Rate	Borrowings	Interest Rate
	(in thousands)			
May 31, 1988	\$94,885	7 1/2%	\$40,350	7 1/2%
May 31, 1987	—	—	\$45,145	7 1/2%

At May 31, 1988, NIKE had \$25 million in outstanding borrowings under its \$100 million unsecured multiple option facility with nine banks. There were no outstanding borrowings under this agreement at May 31, 1987. This agreement contains optional borrowing alternatives consisting of a committed revolving loan facility, an uncommitted short-term advance facility and an uncommitted euro note facility. The interest rate charged on this agreement is determined by the borrowing option and is based on the London Interbank Offered Rate (LIBOR). The borrowing rate under the committed revolving loan facility is LIBOR plus 1/2%. The agreement provides for annual fees of .15% of the total commitment plus fees based upon usage under the committed revolving loan facility. Under the agreement the Company must maintain, among other things, certain minimum specified financial ratios and balances. A domestic subsidiary has a separate \$12.5 million secured revolving credit agreement of which \$9,885,000 was outstanding at May 31, 1988. Total domestic borrowings at May 31, 1988 also included \$60 million under unsecured, uncommitted short-term credit facilities with several banks.

The Company has outstanding loans at interest rates at various spreads above the banks' cost of funds for financing foreign operations. Certain of these loans are secured by accounts receivable and inventory.

Accounts payable to NIAC are generally due up to 115 days after shipment from the foreign port. Interest on such accounts payable accrues at a bank's prime rate as of the beginning of the month of the invoice date, less 1/2%.

**Note 8—Long-term debt:**

Long-term debt includes the following:

	May 31,	
	1988	1987
	(in thousands)	
8.45% unsecured term loan, due 1993	\$25,000	\$25,000
9.45%-11.7% notes payable	—	8,354
8.25% capital equipment purchase agreement payable in installments through 1991	2,659	3,386
8.0%-8.8% industrial revenue bonds, secured by certain real estate, due through 2000	1,661	—
12.5% note payable, secured by certain property, plant and equipment	—	1,575
Other	2,559	1,687
Total	31,879	40,002
Less current maturities	1,573	4,800
	<u>\$30,306</u>	<u>\$35,202</u>

The \$25 million term loan agreement requires, among other things, the maintenance of specified financial ratios and balances and contains limits on the amount of investments and sales of assets.

Amounts of long-term maturities in each of the five fiscal years 1989 through 1993, respectively, are \$1,573,000, \$1,704,000, \$1,515,000, \$334,000, and \$179,000.

Total interest payments under all long-term and short-term borrowing arrangements were \$9,500,000, \$7,000,000 and \$15,700,000 for the three years ended May 31, 1988, 1987 and 1986.

**Note 9—Income taxes:**

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

	Year Ended May 31,		
	1988	1987	1986
	(in thousands)		
Income before income taxes and minority interest:			
United States	\$124,519	\$44,315	\$107,424
Foreign	41,676	29,364	2,593
	<u>\$166,195</u>	<u>\$73,679</u>	<u>\$110,017</u>
Provision for income taxes:			
Current:			
United States			
Federal	\$ 43,850	\$16,172	\$ 42,580
State	8,296	3,702	6,577
Foreign	14,019	6,030	3,354
	66,165	25,904	52,511
Deferred:			
United States			
Federal	(1,383)	11,910	5,484
State	(265)	(120)	(218)
Foreign	203	106	(17)
	<u>(1,445)</u>	<u>11,896</u>	<u>5,249</u>
	<u>\$ 64,500</u>	<u>\$57,800</u>	<u>\$ 57,760</u>



The provision for income taxes was reduced by investment tax credits of \$568,000 during the year ended May 31, 1986. As of May 31, 1988 the Company has foreign tax credit carryovers for tax purposes of \$2,927,000. The credits may be carried forward for five years.

The sources and amounts of the provision for deferred income taxes were as follows:

	Year Ended May 31,		
	1988	1987 (in thousands)	1986
Inventory adjustment to market	\$ 1,907	\$ (1,310)	\$2,931
Tax basis adjustments to inventory	(2,050)	—	—
Purchased tax benefits	(293)	4,311	4,475
Deferred compensation	(644)	622	(2,192)
Discount of barter credits	(1,383)	(491)	(1,752)
Undistributed earnings of foreign subsidiaries	258	8,087	2,444
Other, net	760	677	(677)
	<u>\$ (1,645)</u>	<u>\$ 11,896</u>	<u>\$ 5,249</u>

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

	Year Ended May 31,		
	1988	1987 (in thousands)	1986
U.S. Federal statutory rate	35.0%	46.0%	46.0%
State income taxes, net of federal benefit	5.3	2.4	5.0
Recalculation of purchased tax benefit liability	—	(2.3)	—
Tax impact of foreign losses	(1.7)	.8	2.7
Taxes on foreign earnings	—	3.0	0.1
Other, net	2.2	3.4	.7
Effective income tax rate	<u>38.8%</u>	<u>51.3%</u>	<u>52.5%</u>

During 1982, the Company purchased future tax benefits for \$15,277,000. Tax benefits of \$8,390,000 in excess of the purchase price have been recognized as of May 31, 1988 and are classified as a long-term liability. In November 1986, the Company recognized \$3,700,000 in non-taxable other income as a result of recalculating the effect of the 1986 Tax Reform Act on its purchased tax benefit liability.

Total income taxes paid by the Company for the three years ended May 31, 1988, 1987 and 1986 were \$63,800,000, \$15,700,000 and \$57,100,000.

#### Note 10 — Redeemable Preferred Stock:

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, 1988. 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 11 — Common Stock:

The authorized number of shares of Class A Common Stock no par value and Class B Common Stock no par value are 20,000,000 and 50,000,000 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.

During fiscal 1988 NIKE purchased and retired 1,362,100 shares of its own common stock at a total cost of \$21.9 million.

The Company's Employee Incentive Compensation Plan (Option Plan) provides for the issuance of a maximum of 1,680,000 shares of the Company's Common Stock. Options granted must not be at a price less than the fair market value of the Class B Common Stock at the date of grant and can be issued in either Class A or Class B Common Stock. The Option Plan is administered by a committee of the Board of Directors which has the authority to determine options, the number of shares to be covered by each option, the dates upon which each option is exercisable, the method of payment, and certain other terms. The Option Plan has a stock appreciation feature which gives the committee authority to allow a specified holder to surrender his option in exchange for (1) the cash value of the difference between the option price and the fair market value of the common stock subject to option at the date of surrender, (2) the number of shares having such cash value or (3) a combination of the above. The Option Plan expires in 1990.

The following summarizes the Option Plan transactions for the two years ended May 31, 1988:

	Shares * (in thousands)	Option Price Per Share (\$)
Options outstanding May 31, 1986	699	9.25 to 19.75
Exercised	(166)	9.25 to 19.75
Surrendered	(91)	9.25 to 19.75
Options outstanding May 31, 1987	442	9.50 to 19.75
Exercised	(93)	9.50 to 19.75
Surrendered	(41)	9.50 to 21.25
Granted	91	17.06 to 22.19
Options outstanding May 31, 1988	<u>399</u>	<u>9.50 to 22.19</u>
Options exercisable at May 31, 1988 and 1987	148	9.50 to 19.75

Compensation agreements with three directors provide them with the right to purchase up to 720,000 shares of the Company's Class A Common Stock at \$.417 per share. The estimated fair market value of these shares at the date granted was \$6.25 per share aggregating \$4,500,000. During the years ended May 31, 1988 and 1986 certain directors exercised options for 174,000, and 210,000 shares, respectively. At May 31, 1988 there were no vested options outstanding. The rights to purchase an additional 72,000 of these shares will vest in October 1988 and 1989 as long as the directors serve in an advisory capacity during that period and meet other specified conditions. All purchase rights must be exercised by October 1994. The Company is recognizing compensation expense of \$4,200,000 over the nine year vesting period through October 1989.

In September 1983, the Company granted options to purchase 10,000 shares of Class B Common Stock to two directors at an exercise price of \$16.25 per share. During 1985 the two directors were granted options for an additional 20,000 shares of Class B Common Stock exercisable at \$9.50 per share and the option price of the original 10,000 options granted was changed to \$9.50 per share. Each grant of options vests over a five year period and expires from 1993 to 1995. Options for 16,000 shares were exercised during the year ended May 31, 1988. At May 31, 1988, 30,000 shares were exercisable.

#### Note 12—Profit sharing plan:

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 \$3,000,000, \$1,300,000 and \$2,000,000 to the plan are included in other expense in the consolidated financial statements for the years ended May 31, 1988, 1987, and 1986.

#### Note 13—Interest income:

Included in other income for the three years ended May 31, 1988, 1987, and 1986 is interest income of \$9,321,000, \$7,230,000, \$3,670,000.

#### Note 14—Commitments and contingencies:

The Company leases space for its offices, warehouses and retail stores under leases expiring from one to nine years after May 31, 1988. Rent expense aggregated \$11,605,000, \$11,608,000 and \$13,602,000 for the years ended May 31, 1988, 1987, and 1986 respectively. Amounts of minimum future annual rental commitments under non-cancellable operating leases in each of five fiscal years 1989 through 1993 and in aggregate are \$11,733,000, \$8,806,000, \$7,308,000, \$6,639,000, \$4,737,000 and \$64,193,000, respectively.

#### Note 15—Operations by geographic areas:

The Company operates predominantly in one industry segment, that being the design, production and marketing of athletic footwear, apparel and accessories. During 1988, sales to one major customer amounted to 12% of total sales. In 1987 and 1986, no single customer's sales exceeded 10% of total sales. Information about the Company's operations in the United States and foreign areas is presented below. Inter-geographic revenues and assets have been eliminated to arrive at the consolidated amounts. Expenses and assets not identifiable with the operations of a specific geographic segment have been listed separately.

	Year Ended May 31,		
	1988	1987 (in thousands)	1986
Revenues from unrelated entities			
United States	\$ 900,417	\$641,603	\$ 816,562
Europe	233,402	191,358	166,294
Japan	—	—	42,420
Other foreign	69,621	44,396	43,946
	<u>\$1,203,440</u>	<u>\$877,357</u>	<u>\$1,069,222</u>
Inter-geographic revenues			
United States	\$ 725	\$ 2,043	\$ 3,318
Europe	—	—	1,610
Other foreign	5,008	5,340	38,860
	<u>\$ 5,733</u>	<u>\$ 7,383</u>	<u>\$ 43,788</u>
Total revenues			
United States	\$ 901,142	\$643,646	\$ 819,880
Europe	233,402	191,358	167,904
Japan	—	—	42,420
Other foreign	74,629	49,936	82,806
Less inter-geographic revenues	(5,733)	(7,383)	(43,788)
	<u>\$1,203,440</u>	<u>\$877,357</u>	<u>\$1,069,222</u>
Operating income			
United States	\$114,046	\$ 48,755	\$ 120,827
Europe	37,036	27,529	17,857
Japan	—	—	(1,331)
Other foreign	13,075	2,723	5,663
Less corporate, interest and other (income) expense and eliminations	2,038	(5,328)	(32,999)
	<u>\$ 166,195</u>	<u>\$ 75,679</u>	<u>\$ 110,017</u>
Assets			
United States	\$ 499,707	\$288,689	\$ 353,037
Europe	94,900	85,869	79,937
Other foreign	51,784	25,063	40,018
Total identifiable assets	646,391	399,621	473,012
Corporate cash and eliminations	62,704	112,222	3,826
Total assets	<u>\$ 709,095</u>	<u>\$511,843</u>	<u>\$ 476,838</u>

## DIRECTORS

William J. Bowerman  
*Deputy Chairman of the Board of Directors  
 and Senior Vice President, NIKE, Inc.  
 Eugene, Oregon*

Jill K. Conway  
*Visiting Scholar  
 Massachusetts Institute of Technology  
 Boston, Massachusetts*

Robert T. Davis (2)  
*Professor of Marketing, Stanford University  
 Palo Alto, California*

Richard K. Donahue (2) (3)  
*Partner—Donahue & Donahue, Attorneys  
 Lowell, Massachusetts*

Delbert J. Hayes  
*Executive Vice President, NIKE, Inc.  
 Beaverton, Oregon*

Douglas G. Houser (1) (2) (3)  
*Assistant Secretary, NIKE, Inc.  
 Beaverton—Bellman, Houser, Bailey,  
 Pradlergess & Hoffman, Attorneys  
 Portland, Oregon*

John E. Jaqua (3)  
*Secretary, NIKE, Inc.  
 Partner—Jaqua, Whantley, Gallagher &  
 Holland, Attorneys  
 Eugene, Oregon*

Philip H. Knight (1)  
*Chairman of the Board  
 and Chief Executive Officer, NIKE, Inc.  
 Beaverton, Oregon*

Thomas O. Paine  
*Chairman, Thomas Paine Associates  
 Los Angeles, California*

Charles W. Robinson  
*Chairman, Energy Transition Corporation  
 Santa Fe, New Mexico*

(1) Member—Executive Committee

(2) Member—Audit Committee

(3) Member—Compensation and Stock Option Committee

## OFFICERS

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

William J. Bowerman  
*Deputy Chairman of the Board of Directors  
 and Senior Vice President*

Delbert J. Hayes  
*Executive Vice President*

Harry C. Carsh  
*Vice President*

Jack L. Joyce  
*Vice President*

Ronald E. Nelson  
*Vice President*

George E. Porter  
*Vice President—Finance*

Dale N. Wahl  
*Treasurer*

John E. Jaqua  
*Secretary*

Lindsay D. Stewart  
*Assistant Secretary and Corporate Counsel*

Douglas G. Houser  
*Assistant Secretary*

A. Thomas Niebergall  
*Assistant Secretary*

## LOCATIONS

Corporate Headquarters  
 3900 S.W. Marney Blvd.  
 Beaverton, Oregon 97005

United States Sales and Distribution Centers  
 8400 Winchester Blvd.  
 Memphis, Tennessee 38138

27255 S.W. Boone Ferry Road  
 Wilsonville, Oregon 97070

150 Ocean Road  
 Greenland, New Hampshire 03840

Foreign Sales Administrative Office  
 10300 S.W. Allen Blvd.  
 Beaverton, Oregon 97005

Canada Sales and Marketing Office  
 NIKE Canada Ltd.  
 2445 Came Avenue  
 Coquitlam, British Columbia  
 Canada V3K 6A9

European Sales and Marketing Offices

Great Britain  
 Coniston House  
 Washington Centre  
 District 4, Washington  
 Tyne & Wear NE38 7RN  
 England

France  
 7, BLD D'Duoy  
 Rue D'Activites de Cergy  
 St. Christophe BP 8237  
 95801 Cergy Pontaise Cedex  
 France

Italy  
 Via Torino 43  
 Biella (VC) Italy

Germany  
 Feldhaus 16  
 61088 Wiesbaden  
 West Germany

Norway  
 Hartmannsvei 44  
 Oslo-2  
 Norway

Sweden  
 Rastengatan 3  
 17250 Sundbyberg  
 Sweden

## SHAREHOLDERS' INFORMATION

Corporate Office  
 3900 S.W. Marney Blvd.  
 Beaverton, Oregon 97005  
 (503) 641-6453

Annual Meeting  
 10 a.m., September 19, 1988  
 Multnomah Athletic Club  
 1849 S.W. Salmon  
 Portland, Oregon 97205

NIKE Advisory Council  
 Maurice Lazarus  
 Boston, Massachusetts

Independent Accountants  
 Price Waterhouse  
 101 S.W. Main Street, Suite 1700  
 Portland, Oregon 97204

Registrar and Transfer Agent  
 United States National Bank of Oregon  
 309 S.W. 6th Avenue  
 Portland, Oregon 97204

Form 10-K

A copy of the Company's 10-K filed with the Securities and Exchange Commission is available without charge to any shareholder. Requests should be sent to the attention of the Treasurer at the Corporate Office.



"The NIKE name and 'Swoosh' name and stripe are registered trademarks of NIKE, Inc. or its subsidiaries."

NIKE, Inc. is an equal opportunity employer.



*NIKE, Inc.*

*3900 S.W. Murney Blvd.*

*Beaverton, Oregon 97005*

*Telephone 503/641-6453*