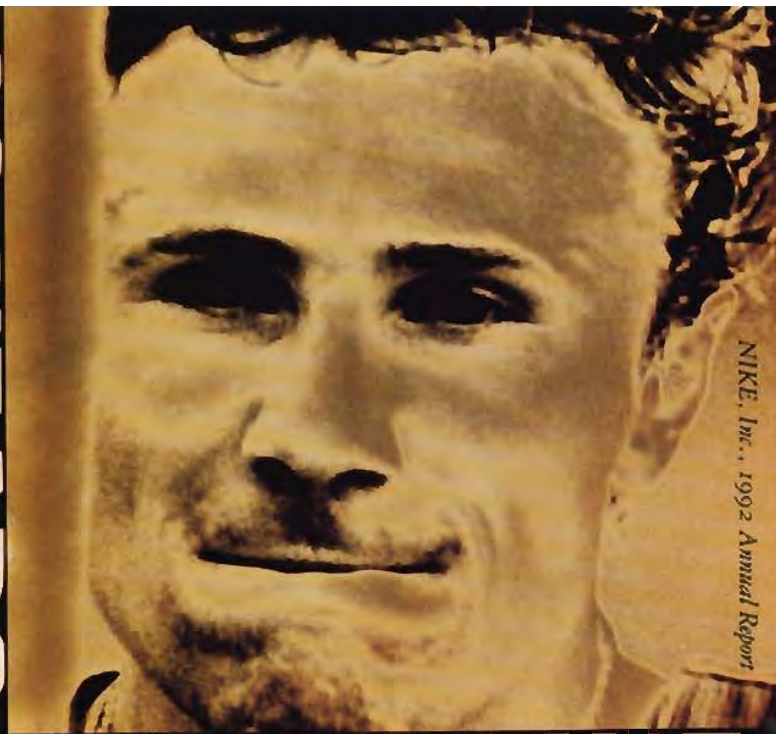


20 YEARS



NIKE, Inc., 1992 Annual Report

THERE IS NO FINISH LINE



OF INNOVATION



The Waffle[®] outsole leads the way for NIKE.

NIKE appears at the Olympic Trials. Bower-

man is the USA coach. Canada opens the

doors. Munich. NIKE employs 45 people.

NIKE T-shirts appear. People think it says

"Mike." Oregon distance runner Steve

Prefontaine sets records. Lots of records.

First-year revenues hit \$3.2 million.

*"Where doors open and never close. Where
the din of life is praised, not hushed. Where
father is builder, mother poet, and the child
is both. This is the home of innovation."*

—Anonymous

To Our Shareholders

HAPPY BIRTHDAY. Twenty years ago this summer 45 employees started NIKE around a running track in Eugene, Oregon. We started with not much more than a brand name, a stripe for shoes, and a lot of hope.

In NIKE's first year we sold \$3.2 million worth of goods. It was a start.

There were many dark days. We always knew we could fail, we knew we might fail, sometimes we even thought we should fail, but never did we think we would fail.

To summarize the history over the 20 years it went like this: 0-1-1-1-2-1-1. Or a rough translation: From 0 to number 1 in Oregon, to number 1 on the Pacific coast, to number 1 in the US, to number 2 in the US, to number 1 in the US, to number 1 in the world. Or if you're interested in further arithmetic: from \$3.2 million to \$3.4 billion.

In that process we are most proud of our innovation. In product, we initiated every major advance in athletic shoes in the last 20 years: The first cushioned athletic shoes, the first nylon upper athletic shoes, the Waffle[®] outsole, NIKE-AIR[®] cushioning, the first cross-training shoe, Air-Fit[™] uppers, Dynamic-Fit[™] stretch uppers.

In the process, we aided athletic performances that are in record books around the world. NIKE was part of Jimmy Connors' first Wimbledon in 1974 and Andre Agassi's first in 1992. The stats for the years in between include: 1 (the first ever) Women's Marathon Olympic Gold Medal for Joan Benoit Samuelson, 7 Nolan Ryan no-hitters, 8 NCAA Men's Basketball championships, 18 out of 24 football bowl teams in 1992, 27 Sergey Bubka world record vaults, 53% of the members of the 1992 US Olympic Track and Field Team, 1 Borussia Dortmund European Football (Soccer) Championship. And a couple of guys named Michael and Bo, who simply defy statistics.

AS AN INVESTMENT—1980-92. If there have been many proud moments for NIKE in products and on the playing field in the first 20 years, well... we haven't done too badly by our shareholders either.

This last year, the company: Achieved record sales and profits—the fifth year in a row. (And there will be at least six in a row.) Increased profits 15%. Increased sales more than 13%, while decreasing inventory 20% through superior inventory management. Increased gross profit margins from 38.4% to a record 38.7%. Broke the billion dollar mark in international sales for the first time in a single fiscal year. Dramatically increased sales and market share in women's fitness footwear and apparel. Defined the newest growth category of Outdoor and posted triple-digit gains in footwear and apparel. Introduced Dynamic-Fit[™] Huarache footwear to an enthusiastic reception from both dealers and consumers. Launched Air Raid, the single most successful new shoe in the industry this year. Created new Air Max products for Spring '93, taking NIKE-AIR[®] cushioning to even higher levels. Announced record futures orders of \$1.6 billion for June through November 1992, an increase of 17% over our last record futures period.

NIKE went public in December 1980 at \$5.50 a share. As we go to press, the stock is selling at \$65 per share, a growth in market value of 30% per year, and currently pays cash dividends at the rate of .56 per share. Not too bad. And yet....

For all but a couple of very brief periods, we have always sold at a substantial discount from the Standard & Poor's 500 Index P/E multiple—like a 20-30% discount.

In the last 20 years, I wrote one annual report where I said we weren't yet a very good company. Now I'd grade us "very good" but our multiple is lower. Go figure.

Here's the dilemma: Explaining NIKE today is more difficult than it was 20 years ago, when we were just getting started—or even 12 years ago, when we first went public.

So in the simplest terms we get summed up with the old label—"sneaker company" or lumped into the apparel category.

Conventional wisdom dictates a deeply discounted multiple for those categories.

Oh, yes, that's the same conventional wisdom that we have met in other parts of our business: No one will ever break Beamon's long jump record at sea level. Andre Agassi can't win on grass. Nolan Ryan is too old. Communist athletes won't understand capitalist financial incentives. A black man can never be a good company spokesman in white America. The rest of the world has caught up with the USA in basketball.

THE FUTURE. What the conventional wisdom misses is the international language of sport. When we take over a foreign distributorship, as we did in Australia on June 1, there is already considerable demand. Our target consumers have been watching John McEnroe and Charles Barkley for years. The emotional ties are in place.

Two months ago a survey in a high school in the People's Republic of China sought to find the world's greatest man. The survey showed a tie between Chou En Lai and Michael Jordan.

The confused parents asked, "Who is Michael Jordan?" to which the exasperated children responded, "He is the star basketball player of the Chicago Red Oxen."

How do we expect to conquer foreign lands? The same way we did here. We will simply export sports, the world's best trading currency.

It is the International Division which will lead our continued growth over the next four years. It grew at 32% this past year and will be bigger than the US market for us by 1996. Operating internationally creates more variables in any business and makes it more challenging to manage. But it also reduces the overall risk to the company and will fuel our growth to \$6 billion by 1996.

Qualified people who look at NIKE's numbers and NIKE's positioning conclude: "They really can do it."

In the coming months and years, it is our goal to overcome the perception of the past, the conventional wisdom that says a "sneaker/apparel company" has to have a multiple much lower than average.

It is a part of our challenge to get the investing public to understand that NIKE has a global brand franchise.

If a Chairman's letter, or even a once-a-year annual report, is not adequate to cover all the complexities of a company striving to be international and grow at 15% per year—and do a little image surgery with investors—rest assured we have learned lessons from our first 20 years.

We know we have to build a total company, not just pieces like marketing and production and investor relations. I think the 6500 people at NIKE today have the same attitude about the next 20 years that the smaller group had 20 years ago: a little terror at the difficulty of the task, but a strong belief that we can do it.

These last 20 years have been an exciting and profitable ride, but our greatest opportunities lie ahead of us. The Chairman's letter in the year 2012 ought to be really something. I hope they let me write it.

Philip H. Knight

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

HAPPY BIRTHDAY! ナイキは今から20年前の夏、オレゴン州ユージーンの上陸用トラックのすぐ近くで、45名の従業員とともにスタートしました。その時の私たちはブランドネームとワッシュのライン、そして希望だけが頼りの出発でした。

初年度、ナイキは320万ドルを売り上げました。ここから本格的なスタートとなります。

苦労の多い日々もありました。失敗するかもしれないという不安は常に顔にありましたが、非常に苦しい状況に陥ったこともありませんでした。けれども、もう駄目だと、あきらめたことは一度としてありませんでした。

この20年間の歴史を数字でいえば、0-1-1-2-1-1。わかりやすく説明すると、ゼロからオレゴンのナンバー1になり、次に太平洋地域のナンバー1、そして米国ナンバー1、それから米国ナンバー2、再び米国ナンバー1、そして世界のナンバー1になった、ということです。具体的な数字をあげるとすれば、320万ドルから34億ドルへ、ということになります。

そのような過程の中で、私たちが最も誇りにするのは、今までナイキが行ってきたイノベーションです。製品についていえば、この20年間にスポーツシューズに起こった革新的な進歩のすべては、私たちが牽引したものです。ナイロンアッパーを初めて使用したスポーツシューズを皮切りに、ワッフルアウトソール、ナイキ（エア）クッションング、クロストレーニングシューズ、エアフィット搭載のアッパー、ダイナミックフィッティングシステム搭載のアッパーなどがその代表的なものです。

このような技術の革新を推進する一方で、ナイキは世界中のスポーツ競技の新記録達成を支えてきました。ウインブルドンでの1974年のジミーコナーズ初優勝も、1992年のアンドレアガシ初優勝も、ナイキは彼らと共にいました。これまでに私たちがサポートしてきた選手達とその記録をあげるとすれば、オリンピック女性マラソン初代女王のジョーン・バイント・サミュエルソン、7回のノーヒットノーランを達成したノラン・ライアン、8年間のNCAAバスケットボール男子の優勝チーム、1992年アメリカンフットボールのボウルゲームに出場した24チーム中の18チーム、セルゲイ・ブブカの27の世界記録、1992年のオリンピックに出場する米国籍上競技選手の53%、ボールンシアド・トルムントの欧州サッカー選手権優勝が1回。それからマイケル・ジョーダンやボブ・ジャysonといったスーパースターたち。

1980年から1992年までに株主の皆様から頂いたナイキへの投資について申し上げるならば、この20年間のナイキの製品及び競技場でのナイキの活躍にたいすると同様の満足感、株主の皆様を感じて頂けたことと思います。

前年度の業績は次のようなものです。5年連続で（今では少なくとも6年連続）なることが確かですが、売上と利益は記録を更新し続けることになりました。利益は15%上昇、売上は13%以上の伸び。一方、優れた在庫管理が功を奏して、在庫は20%も減少しました。全社売上総利益は、38.4%からこれまで最高の38.7%に上昇しました。海外でのビジネスでは、前年の売上が初めて10億ドルを突破いたしました。女性向けのフィットネスシューズ及びアパレルにおいても、売上と市場シェアが見えています。「アウトドア」という成長の見込まれる新しいカテゴリーを設定、フットウェアとアパレルで、3桁の収益の伸びを達成しています。ダイナミックフィッティングシステム搭載のシューズ、ハラチシリーズはアスリートから消費者からも熱狂的な歓迎を受け、新発売のエアライドは、業界の年間ベストセラーとなりました。1993年春に向けて開発されたエアマックスシリーズは、ナイキ（エア）をさらに進化させたもので、1992年6月から11月にかけてのフューチャーオーダーは16億ドルという新記録を達成し、これまでのフューチャーオーダーの記録を17%も上回りました。

ナイキは、1990年12月に、1株51.60セントで株式を公開しました。現時点では、1株65ドルで売れており、市場価格の年間成長率は30%となります。現在1株0.56のレートで現金配当を実施しています。ですから、そう悪くはないと思います。

しかし、ごく初期の2度の例外を除くと、当社では常に、スタンダード&プアーズの株価収益率より20-30%と低い、かなりのオバカウンドで株式を売って参りました。

この20年間に、私は年次報告書のなかでナイキが真の優良会社であるとまだ言えないと述べたことが一度あります。しかし、現在では、当社を「優良会社」と呼ぶことができると思います。しかし、株価収益率はまだ高いものとは言えません。

ここにジレンマがあります。今このナイキを説明することは、20年間のタイムリより難しいといえます。いえ、株式が公開された12年前より

も難しいと言えるでしょう。

私たちは、昔風に「運動靴会社」と簡単に呼ばれてしまったり、大ざっぱに「アパレル」会社にされてしまったりするのです。

そして従来の考え方では、こうしたカテゴリーの会社に対しては、実需以下の株価収益率が与えられています。

そうした古い考え方は、スポーツの世界にも存在します。海抜ゼロでピーマンの走幅跳びの記録を破る者はいない、アンドレアガシは芝のコートでは勝てない、ノラン・ライアンはもう年だ、共産圏の選手は資本主義的なボーナスシステムなど理解できない、白人社会のアメリカでは黒人は企業スポーツマンの役割は果たせない、アメリカのバスケットボールは他の国々に遠くかかれてしまった、などがよい例です。

それでは、未来はどうでしょう。そのような古い考え方が見過ごしてしまえば、スポーツが国際語であるということです。この6月1日にオーストラリアで行ったように、外国の販売代理店を買収する時には、そこにはすでにかなりの需要が存在しています。私たちがターゲットとする消費者は、何年にもわたってジョン・マッケンローやチャールズ・バークレーを見てきているのです。すでにナイキと消費者の間には絆ができていっているといえるでしょう。

2ヶ月前、中国のある高校で、世界で最も偉大な人間は誰だと思うかという調査が行われました。その結果、周恩来とマイケル・ジョーダンとが同点で第一位を分かちあうことになりました。親たちがまとめて、「マイケル・ジョーダンって誰?」と尋ねると、子供たちのほうはうんざりとしたように、「シカゴ黒牛チームのスターバスケットボール選手にきまってるよ」と答えたそうです。

つまり、どうやって外国市場を征服するかといえば、本国で行なっているのと同じ方法で、ということになります。世界最高の貿易通貨である、スポーツを輸出するだけです。

今後4年間の成長を担っていくのは、当社の国際部門になるでしょう。国際部門は、前年度32%業績を伸ばしました。96年までには、海外でのビジネスは米国国内でのビジネス以上に成長するでしょう。国際的なビジネスはどんなビジネスでも不測の要素を多くはらみますから、マネージメントが大変になることは確かです。しかし同時に、会社全体へのリスクを減少させ、1996年の目標額60億ドル達成に向かっての、私たちの進捗力となってくれるでしょう。

ナイキの業績と現在の状況を見た専門家たちは、「ナイキなら60億ドルも夢ではない」と述べています。

今後の目標は、「運動靴とアパレルの会社」などは株価収益率が普通より低いのは当然、という古い考えを打ち破っていくことです。その努力の一環として、一般投資家の皆様は、ナイキはグローバルなブランド・フランチャイズなのだということをお話してあげて考えています。

会社の国際化、15%の年間成長、投資家に対するイメージアップといったことへの努力の複雑さは、会長からの挨拶状でも、年に1度の年次報告書でもお話しされるものではありません。まして、この20年間に学んだことがいかに多かったかはお察し頂けることと思います。

私たちは、マーケティング部門、生産部門、投資関連部門などがそれぞれに存在するのではなく、その各々が融合した一トータルな会社をつくりたいかなければなりません。現在ナイキに働いている6,500名の人が、今後20年間、20年間の小さなグループだった時と同じ姿勢を、つまり、仕事の困難さに対する少しばかりの畏怖と、きつとできるという強い信念を抱き続けてくれると私は確信しています。

これまでの20年間は、ナイキが急激な成長を果した上向きの時期でした。しかし、私たちの目の前には、さらに輝かしい未来が待っています。

2012年の会長の挨拶は、きっと今年以上に素晴らしいものになることでしょう。その時の挨拶も私に書かせて頂けることを心から願っております。

Philip H. Knight

BON ANNIVERSAIRE. Il y a vingt ans cet été, 45 employés lançaient NIKE dans la course. C'était à Eugene dans l'Oregon. Nous n'avions alors qu'une marque, un logo pour les chaussures et d'énormes espoirs.

La première année, nous avons vendu pour 2,3 millions de dollars de chaussures NIKE. C'était déjà un début.

Il y a eu des jours maussades. Depuis le début nous savions que l'échec était possible, que nous pouvions donc échouer, nous avons même pensé parfois qu'on devait échouer, mais jamais, jamais, nous n'avons pensé échouer.

Nos 20 premières années se résument de la manière suivante: 0-1-1-1-2-1-1. Ce qui signifie que partis de zéro, nous sommes devenus numéro 1 dans l'Oregon, numéro 1 sur la côte Pacifique, numéro 1 aux Etats-Unis, numéro 2 aux Etats-Unis, numéro 1 aux Etats-Unis et numéro 1 dans le monde. Ou encore, si vous aimez les chiffres, que nous sommes passés de 3,2 millions de dollars à 3,4 milliards.

Ce dont nous sommes le plus fier au cours de cette progression, c'est de notre innovation. Tout au long de ces 20 dernières années, nous avons en effet été à l'origine de tous les progrès importants dans le domaine de la chaussure d'athlétisme: la première chaussure d'athlétisme avec une empeigne en nylon, la semelle Waffle, l'amorti NIKE-AIR, la première chaussure de cross-training, Les systèmes Air-Fit et Dynamic-Fit.

Au cours de ce processus, nous avons contribué à l'amélioration des records sportifs dans le monde entier. Jimmy Connors portait des chaussures NIKE lors de sa première apparition sur le court de Wimbledon en 1974, NIKE fut aussi la première prise de contact d'André Agassi sur l'herbe de ce même court en 1992. Les statistiques pour les années intermédiaires reprennent les performances suivantes: 1 médaille d'or pour Joan Benoit Samuelson sur premier marathon féminin jamais couru, 7 no-hitters pour Nolan Ryan, 8 championnats NCAA en équipe masculine de Basket-ball, 18 des 24 équipes de football américain en 1992, 27 records de sauts pour Sergeï Bubka, 53% des membres des équipes olympiques américaines toutes disciplines confondues, 1 championnat de football européen Borussia Dortmund. A cela il faut ajouter deux hommes, Michael et Bo, qui défient tout simplement toute statistique.

NIKE EN TANT QU'INVESTISSEMENT — 1980-1992. Si au cours des 20 premières années NIKE nous a donné de nombreuses occasions d'être fiers, tant au niveau du produit que des résultats sur le terrain, eh bien... on peut dire qu'on s'en est pas mal tiré ainsi que nos actionnaires.

Au cours de l'année écoulée, l'entreprise a atteint un double record: vente et bénéfice pour la cinquième année consécutive (et croyez-moi il y aura au moins une sixième année). Elle a augmenté ses bénéfices de 15%, ses ventes de plus de 13%, tout en diminuant son stock de 20% grâce à une gestion supérieure de celui-ci. Elle a également augmenté les marges des bénéfices bruts de 38,4% à un record de 38,7%. Elle a dépassé le milliard de dollars dans les ventes internationales pour la première fois en une seule année fiscale. Elle a augmenté ses ventes de manière radicale et accru sa part de marché dans le domaine de la chaussure et l'habillement de fitness pour dames. Elle a aussi défini une nouvelle catégorie, de plus en plus importante, l'outdoor et affiche un bénéfice à trois chiffres dans le marché de la chaussure et des vêtements d'extérieur. Elle a présenté et commercialisé le système Dynamic-Fit Huarache qui a reçu un accueil enthousiaste, tant au niveau des revendeurs que du public. Elle a lancé l'Air Raid, nouvelle chaussure ayant remporté un vif succès dans l'industrie cette année. Elle a créé les nouveaux produits Air Max pour le printemps 93, et perfectionné l'amorti NIKE-AIR* à un niveau encore plus élevé. Elle prévoit des commandes futures records de l'ordre de 1,6 milliard de dollars pour la période de juin à novembre 1992, soit une augmentation de 17% par rapport aux prévisions de l'année précédente pour la même période.

NIKE a émis des actions en décembre 1980 au prix de 5,50 dollar l'action. Au moment où j'écris cette lettre, ces actions se vendent en bourse à 65 dollars l'unité, ce qui représente une augmentation de valeur de 30% par an. NIKE verse en outre actuellement des dividendes en liquide s'élevant à 0,56 dollar par action. On ne peut pas se plaindre. Et pourtant...

A part deux brèves périodes, nous avons toujours vendu nos actions avec une sérieuse réduction par rapport à l'indice P/E des S&P 500 — environ 20 à 30% de rabais. (N.B. Standard & Poor's 500 Index P/E multiple)

Il n'est arrivé qu'une seule fois en 20 ans que j'écrive dans un rapport annuel: "nous ne sommes pas encore une très bonne entreprise." Aujourd'hui je qualifie l'entreprise de "très bonne" mais notre ratio cours/bénéfice est plus faible. Ça s'explique.

En fait le dilemme est le suivant: il est plus difficile aujourd'hui d'expliquer ce qu'est NIKE, qu'il y a 20 ans, lorsque nous en étions à nos premiers balbutiements, ou même il y a 12 ans, lorsque nous avons émis des actions.

On nous désigne donc plus facilement par une terminologie vieux-jeu "fabricant de chaussures de tennis" ou encore on nous place dans la catégorie de la confection.

La sagesse traditionnelle préconise pour ces catégories de sérieuses réductions de prix en fonction des quantités.

Où oui, c'est cette même sagesse conventionnelle que nous avons rencontrée dans d'autres domaines de nos affaires: personne ne battit jamais le record du saut en longueur de Beamon au niveau de la mer. André Agassi ne peut pas gagner sur l'herbe. Nolan Ryan est trop vieux. Les athlètes communistes ne comprennent pas les objectifs financiers capitalistes. Un noir ne pourra jamais être un bon porte-patule d'entreprise dans une Amérique blanche... Le reste du monde a rattrapé les USA au Basket-ball...

L'AVENIR. Ce qui manque à la sagesse conventionnelle, c'est le langage international du sport. Nous avons repris un distributeur étranger, une compagnie australienne, c'était le premier jour dernier, depuis la demande est déjà très importante. Notre public a admiré John McEnroe et Charles Barkley pendant des années. C'est dire que les liens émotionnels étaient déjà en place.

Il y a deux mois, une enquête entreprise dans une école supérieure en République Populaire de Chine, avait pour objectif de déterminer le plus grand homme du monde. L'enquête a révélé un lien entre Chou en Lai et Michael Jordan.

Les parents étonnés ont demandé qui était Michael Jordan? A quoi les adolescents exaspérés ont répondu, c'est la star du basket-ball des Red Oxen de Chicago.

Comment envisageons nous de conquérir les marchés étrangers? Exactement comme nous avons procédé jusqu'ici. Nous allons simplement exporter les sports, ce qui est la meilleure monnaie d'échange à travers le monde.

C'est notre département International qui guidera notre ascension au cours des 4 prochaines années. En dernier notre croissance était de 32%, elle dépassera pour nous celle du marché américain en 1996. Les opérations internationales créent des variables supplémentaires dans les affaires, et accroissent le défi au niveau de la gestion. Mais elle réduit les risques généraux de l'entreprise et alimentent notre croissance qui devrait nous permettre d'atteindre le chiffre de 6 milliards de dollars en 1996.

Les conseillers qui consultent nos chiffres et la position de NIKE sur le marché ne peuvent que conclure: "ils peuvent vraiment réussir!"

Pour les prochains mois, les prochaines années, notre objectif est de faire oublier les impressions passées, la sagesse conventionnelle selon laquelle un fabricant de chaussures de tennis ou une usine de confection doit avoir un ratio cours/bénéfice beaucoup plus bas que la moyenne.

C'est donc une part du défi que nous avons à relever que de faire comprendre aux investisseurs que NIKE a une franchise de marque globale.

Si la lettre du président, ou même un rapport annuel ne permet pas de traiter toute la complexité d'une entreprise s'efforçant de devenir internationale et d'atteindre une croissance de 15% par an — et s'efforçant de faire un peu de chirurgie esthétique au niveau des investisseurs — soyez néanmoins assurés d'une chose: nous avons beaucoup appris en 20 ans d'existence.

Nous savons qu'il nous faut construire une entreprise entièrement nouvelle, et non pas seulement des morceaux dans le marketing, la production ou les relations avec les investisseurs. Je pense que les 6500 employés de NIKE aujourd'hui ont la même attitude que la petite équipe du début, il y a 20 ans: ils sont un peu terrifiés à l'idée de l'envergure de la tâche, mais croient fermement que nous sommes capables de l'accomplir.

Ces 20 dernières années ont été une course passionnante et bénéfique, mais les plus grands défis nous attendent. La lettre qu'écrira le président en 2012 sera vraiment quelque chose! J'espère que je pourrai l'écrire moi-même.

Philip H. Knight

Philip H. Knight
Président du Conseil d'Administration
et Président Directeur Général

BON ANNIVERSAIRE. Il y a vingt ans cet été, 45 employés lançaient NIKE dans la course. C'était à Eugene dans l'Oregon. Nous n'avions alors qu'une marque, un logo pour les chaussures et d'énormes espoirs.

La première année, nous avons vendu pour 2,5 millions de dollars de chaussures NIKE. C'était déjà un début.

Il y a eu des jours maussades. Depuis le début nous savions que l'échec était possible, que nous pouvions donc échouer, nous avons même pensé parfois qu'on devait échouer, mais jamais, jamais, nous n'avons pensé échouer.

Nous 20 premières années se résumant de la manière suivante: 0-1-1-1-2-1-1. Ce qui signifie que partis de zéro, nous sommes devenus numéro 1 dans l'Oregon, numéro 1 sur la côte Pacifique, numéro 1 aux Etats-Unis, numéro 2 aux Etats-Unis, numéro 1 aux Etats-Unis et numéro 1 dans le monde. Ou encore, si vous aimez les chiffres, que nous sommes passés de 3,2 millions de dollars à 3,4 milliards.

Ce dont nous sommes le plus fier au cours de cette progression, c'est de notre innovation. Tout au long de ces 20 dernières années, nous avons en effet été à l'origine de tous les progrès importants dans le domaine de la chaussure d'athlétisme: la première chaussure d'athlétisme avec une empeigne en nylon, la semelle Waffle, l'amorti NIKE-AIR, la première chaussure de cross-training, Les systèmes Air-Fit et Dynamic-Fit.

Au cours de ce processus, nous avons contribué à l'amélioration des records sportifs dans le monde entier. Jimmy Connors portait des chaussures NIKE lors de sa première apparition sur le court de Wimbledon en 1974, NIKE fut aussi la première prise de contact d'André Agassi sur l'herbe de ce même court en 1992. Les statistiques pour les années intermédiaires représentent les performances suivantes: 1 médaille d'or pour Joan Benoit Samuelson au premier marathon féminin jamais couru, 7 no-bitters pour Nolan Ryan, 8 championnats NCAA en équipe masculine de Basket-ball, 18 des 24 équipes de football américain en 1992, 27 records de sauts pour Sergei Bubka, 53% des membres des équipes olympiques américaines toutes disciplines confondues, 1 championnat de football européen Borussia Dortmund. A cela il faut ajouter deux hommes, Michael et Bo, qui défient tout simplement toute statistique.

NIKE EN TANT QU'INVESTISSEMENT—1980-1992. Si au cours des 20 premières années NIKE nous a donné de nombreuses occasions d'être fiers, tant au niveau du produit que des résultats sur le terrain, eh bien... on peut dire qu'on s'en est pas mal tiré ainsi que nos actionnaires.

Au cours de l'année fiscale: l'entreprise a atteint un double record: vente et bénéfice pour la cinquième année consécutive (et croyez-moi il y aura au moins une sixième année). Elle a augmenté ses bénéfices de 15%. Ses ventes de plus de 13%, tout en diminuant son stock de 20% grâce à une gestion supérieure de celui-ci. Elle a également augmenté les marges des bénéfices bruts de 38,4% à un record de 38,7%. Elle a dépassé le milliard de dollars dans les ventes internationales pour la première fois en une seule année fiscale. Elle a augmenté ses ventes de manière radicale et accru sa part de marché dans le domaine de la chaussure et l'habillement de fitness pour dames. Elle a aussi défini une nouvelle catégorie, de plus en plus importante, l'outdoor et affiche un bénéfice à trois chiffres dans le marché de la chaussure et des vêtements d'extérieur. Elle a présenté et commercialisé le système Dynamic-Fit Huarache qui a reçu un accueil enthousiaste, tant au niveau des revendeurs que du public. Elle a lancé l'Air Raid, nouvelle chaussure ayant remporté un vif succès dans l'industrie cette année. Elle a créé les nouveaux produits Air Max pour le printemps 93, et perfectionné l'amorti NIKE-AIR à un niveau encore plus élevé. Elle prévoit des commandes futures records de l'ordre de 1,6 milliard de dollars pour la période de juin à novembre 1992, soit une augmentation de 17% par rapport aux prévisions de l'année précédente pour la même période.

NIKE a émis des actions en décembre 1980 au prix de 5,50 dollar l'action. Au moment où j'écris cette lettre, ces actions se vendent en bourse à 65 dollars l'unité, ce qui représente une augmentation de valeur de 30% par an. NIKE verse en outre actuellement des dividendes en liquide s'élevant à 0,56 dollar par action. On ne peut pas se plaindre. Et pourtant...

A part deux brèves périodes, nous avons toujours vendu nos actions avec une sérieuse réduction par rapport à l'indice P/E des S&P 500—environ 20 à 30% de rabais. (N.B. Standard & Poor's 500 Index P/E multiple)

Il n'est arrivé qu'une seule fois en 20 ans que j'écrive dans un rapport annuel: "nous ne sommes pas encore une très bonne entreprise." Aujourd'hui je qualifie l'entreprise de "très bonne" mais notre ratio cours/bénéfice est plus faible. Ça s'explique.

En fait le dilemme est le suivant: il est plus difficile aujourd'hui d'expliquer ce qu'est NIKE, qu'il y a 20 ans, lorsque nous en étions à nos premiers balbutiements, ou même il y a 12 ans, lorsque nous avons émis des actions.

On nous désigne donc plus facilement par une terminologie vieu-ieu "fabricant de chaussures de tennis" ou encore on nous place dans la catégorie de la confection.

La sagesse traditionnelle préconise pour ces catégories de sérieuses réductions de prix en fonction des quantités.

Où oui, c'est cette même sagesse conventionnelle que nous avons rencontrée dans d'autres domaines de nos affaires: personne ne battra jamais le record du saut en longueur de Beamon au niveau de la mer. André Agassi ne peut pas gagner sur l'herbe. Nolan Ryan est trop vieux. Les athlètes communistes ne comprennent pas les objectifs financiers capitalistes. Un noir ne pourra jamais être un bon porte-parole d'entreprise dans une Amérique blanche...Le reste du monde a rattrapé les USA au Basket-ball...

L'AVENIR. Ce qui manque à la sagesse conventionnelle, c'est le langage international du sport. Nous avons repris un distributeur étranger, une compagnie australienne, c'était le premier juin dernier, depuis la demande est déjà très importante. Notre public a admiré John McEnroe et Charles Barkley pendant des années. C'est dire que les liens émotionnels étaient déjà en place.

Il y a deux mois, une enquête entreprise dans une école supérieure en République Populaire de Chine, avait pour objectif de déterminer le plus grand homme du monde. L'enquête a révélé un lien entre Chao en Lai et Michael Jordan.

Les parents étonnés ont demandé qui était Michael Jordan? A qui les adolescents exaspérés ont répondu, c'est la star du basket-ball des Red Oxen de Chicago.

Comment envisageons nous de conquérir les marchés étrangers? Exactement comme nous avons procédé jusqu'ici. Nous allons simplement exporter les sports, ce qui est la meilleure monnaie d'échange à travers le monde.

C'est notre département International qui guidera notre ascension au cours des 4 prochaines années. En dernier notre croissance était de 32%, elle dépassera pour nous celle du marché américain en 1996. Les opérations internationales créent des variables supplémentaires dans les affaires, et accroissent le défi au niveau de la gestion. Mais elle réduit les risques géographiques de l'entreprise et alimentent notre croissance qui devrait nous permettre d'atteindre le chiffre de 6 milliards de dollars en 1996.

Les connaisseurs qui consultent nos chiffres et la position de NIKE sur le marché ne peuvent que conclure: "ils peuvent vraiment réussir!"

Pour les prochains mois, les prochaines années, notre objectif est de faire oublier les impressions passées, la sagesse conventionnelle selon laquelle un fabricant de chaussures de tennis ou une usine de confection doit avoir un ratio cours/bénéfice beaucoup plus bas que la moyenne.

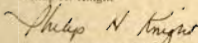
C'est donc une part du défi que nous avons à relever que de faire comprendre aux investisseurs que NIKE a une franchise de marque globale.

Si la lettre du président, ou même un rapport annuel ne permet pas de traiter toute la complexité d'une entreprise s'efforçant de devenir internationale et d'atteindre une croissance de 15% par an—et s'efforçant d'être un peu de chirurgie esthétique au niveau des investisseurs—soyez néanmoins assurés d'une chose: nous avons beaucoup appris en 20 ans d'existence.

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Philip H. Knight



Président du Conseil d'Administration
et Président Directeur Général

ZUM GEBURTSTAG. In diesem Sommer vor zwanzig Jahren begann für NIKE das Wettrennen in Eugene, Oregon. Zu Beginn hatten wir nicht viel mehr als einen Markennamen, ein Logo für Schuhe und jede Menge Hoffnung.

Im ersten NIKE-Jahr verkauften wir Waren im Wert von 3,2 Millionen Dollar. Unsere Anfang war Gemacht.

Es gab viele dunkle Tage. Wir wußten immer, daß wir versagen können, daß wir vielleicht auch versagen würden, manchmal dachten wir sogar wir müßten versagen, aber wir dachten nie daran aufzugeben.

In der Zusammenfassung sieht unsere Geschichte der vergangenen 20 Jahre so aus: 0-1-1-1-2-1-1. Kurz übersetzt: Vom Nobody zur Nummer 1 in Oregon, zur Nummer 1 der Pacific-Küste, zur Nummer 1 in den USA, zur Nummer 2 in den USA, zur Nummer 1 in den USA, zur Nummer 1 der Welt. Wenn Sie an weiteren Zahlen interessiert sind: Von 3,2 Millionen Dollar auf 3,4 Milliarden Dollar.

Am stolzesten sind wir bei dieser Entwicklung auf unsere Innovationen. Im Sportschuhsektor erarbeiteten und initiierten wir jede maßgebliche Weiterentwicklung der vergangenen 20 Jahre: Die ersten gedämpften Sportschuhe, die ersten Sportschuhe mit Nylon-Schaft, die Waffle-Außensohle, die NIKE AIR Dämpfung, die ersten Cross Training-Schuhe, Air-Fit- und die elastischen Dynamic-Fit-Obermaterialien. Während der ganzen Zeit ermöglichten wir sportliche Spitzenleistungen, die in den Rekordbüchern auf der ganzen Welt verzeichnet sind. NIKE war Pate, als Jimmy Connors 1974 und Andre Agassi 1992 ihre ersten Wimbledon-Siege errangen. Die Höhepunkte der dazwischenliegenden Jahre waren: Die allererste olympische Goldmedaille beim Frauen-Marathon durch Joan Benoit Samuelson, 7-mal-Hitler von Nolan Ryan, 8 NCAA Basketball-Meistenschaften, 18 der 24 Football-Teams, die 1992 um die Bowl spielten, 27 Weltrekorde von Sergey Bubka im Stabhochsprung, 53% der Mitglieder des US-Leichtathletik-Teams in Barcelona, Vizemeister der Deutschen Fußballbundesliga mit Borussia Dortmund. Hinzu kommen einige Jungs, wie Michael und Bo, die jede Statistik sprengen.

NIKE als Investment: 1980 bis 1992. Wir hatten in den ersten zwanzig Jahren viele stolze Augenblicke, wenn es um Produkte, um sportliche Höchstleistungen ging, und... die Ergebnisse für unsere Aktionäre.

Das vergangene Geschäftsjahr: Rekordverkäufe und -gewinne im fünften Jahr in Folge (und es wies sich mindestens noch ein weiteres anschließen). Die Gewinne stiegen um 15%. Die Verkäufe stiegen um mehr als 13%, während der Lagerbestand durch hervorragendes Management um 20% gesenkt werden konnte. Der Rohgewinn stieg von 38,4% auf die Rekordhöhe von 38,7%. Die internationalen Verkäufe durchbrachen erstmals in einem einzigen Geschäftsjahr die Milliarden Dollar Grenze. Die Verkäufe und Marktanteile in den Bereichen Women's Fitness, Schuhe und Bekleidung stiegen dramatisch. Der Bereich Outdoor wurde zur jüngsten Wachstumskategorie, bei Schuhen und Bekleidung erreichten wir dreistellige Zuwachsraten. Wir stellten mit dem Dynamic-Fit Hundschuh ein Modell vor, das von Händlern im Endverbraucher begeistert aufgenommen wurde. Das Modell Air Raid wurde in diesem Jahr zum erfolgreichsten Schuh der gesamten Branche. Wir entwickelten den neuen Air Max für Frühjahr 1993 und bringen damit die NIKE AIR Dämpfung auf einen noch höheren Standard. Unsere Aufträge für den Zeitraum Juni-November 1992 erreichen ein Volumen von 1,6 Milliarden Dollar, was einem Zuwachs von 17% gegenüber dem vergleichbaren Vorjahreszeitraum entspricht.

NIKE ging im Dezember 1980 mit Aktien zu je 5,50 Dollar an die Börse. Jetzt — gerade geht dieser Geschäftsbericht in die Druckerei — wird die Aktie für 65 Dollar an der Börse verkauft, was einem Zuwachs des Marktwertes von jährlich 30% entspricht und einer Dividende von 56 per Aktie. Nicht gerade schlecht. Aber jetzt...

Zu jeder Zeit, einige kurze Zeiträume ausgenommen, verkauften wir immer sehr viel günstiger als der "S&P Multiple" — ungefähr 20-30% darunter, ausgehend vom Standard & Poor's 500 Index P/E Multiple.

Einfach ausgedrückt lassen wir uns am besten mit der alten Bezeichnung erklären: "Sportschuster" oder "Textilhändler." Der gesunde Menschenverstand sagt uns, daß beide Bezeichnungen unserem Unternehmen bei weitem nicht gerecht werden.

Oh ja, das ist der gleiche gesunde Menschenverstand, zu den wir in anderen Teilen unseres Geschäftes treffen: "Niemand wird jetzt den Weitsprungrekord von Bob Beamon brechen können." "Andre Agassi kann auf Rasen nicht gewinnen." "Nolan Ryan ist zu alt." "Athleten der alten kommunistischer Systeme werden nie die finanziellen Anreize des Kapitalismus verstehen." "Ein schwarzer Mann kann nie ein guter Fernsprinter im weißen Amerika werden." "Der Rest des Welt hat es mit den USA im Basketball aufgenommen."

Die Zukunft: Was dem gesunden Menschenverstand fehlt ist die internationale Sprache des Sports. Wenn wir eine ausländische Vertriebsstelle übernehmen, wie wir es in Australien am 1. Juni getan haben, gibt es dort bereits eine beachtliche Nachfrage. Unsere Zielgruppen haben nämlich schon seit Jahren John McEnroe und Charles Barkley verfolgt. Die gefühlsmäßige Bindung ist bereits vorhanden.

Eine Umfrage in einer Universität in der Volksrepublik China vor zwei Monaten fragte nach dem bedeutendsten Mann der Welt. Den ersten Platz teilten sich Chou En Lai und Michael Jordan.

Die verwirrten Eltern fragten: "Wer ist Michael Jordan?" Und die erstaunten Kinder antworteten: "Er ist der Star-Basketballer von den Chicago Red Oxen."

Wie wollen wir fremde Länder erobern? Genauso, wie wir es hier getan haben. Wir exportieren einfach den Sport, die beste Handelswährung der Welt.

Es ist das internationale Geschäft, das uns unser fortwährendes Wachstum in den letzten vier Jahren ermöglichte. Es stieg im letzten Jahr um 32% und wird 1996 größer als unser US-Markt sein. Internationale Aktivitäten geben jeder Branche mehr Möglichkeiten und erhöhen die Herausforderung, sie zu meistern. Sie reduzieren aber auch das Gesamtrisiko des Unternehmens und werden unser Wachstum auf sechs Milliarden Dollar im Jahre 1996 führen.

Experten, die die NIKE-Zahlen und die Position des Unternehmens kennen, kommen zur Schlußfolgerung: "Sie schaffen es wirklich." In den nächsten Monaten und Jahren möchten wir unsere Selbsteinschätzung der Vergangenheit und den gesunden Menschenverstand, der uns als "Sportschuster" und "Textilhändler" bezeichnet, überwinden. Es ist ein Teil der Herausforderung, der Öffentlichkeit klarzumachen, wer weltweit die stärkste Marke ist.

Wenn der Brief des "Chairman" oder auch nur der jährliche Geschäftsbericht nicht alle Aktivitäten einer Gesellschaft abdecken kann, die ein internationales Wachstum von jährlich 15% anstrebt — und die bei den Investoren eine kleine Image-Korrektur vornimmt — bleibt dennoch zu sagen, daß wir in den ersten 20 Jahren viel gelernt haben.

Wir wissen, daß wir als gesamten Unternehmen weiter bauen müssen, und dies nicht nur in Teilbereichen wie dem Marketing, der Herstellung und unseren Beziehungen zu den Investoren.

Ich glaube, daß die 6.500 Mitarbeiter, die NIKE heute beschäftigt, die gleiche Einstellung zu den kommenden 20 Jahren haben wie die kleine Gruppe von Mitarbeitern vor 20 Jahren: Es was Angst, das gesteckte, schwierige Ziel nicht erreichen zu können, aber auch die Überzeugung, daß wir es schaffen werden.

Die vergangenen 20 Jahre waren ein aufregender und profitabler Abschnitt, aber unsere größten Chancen liegen noch vor uns. Der Brief des "Chairman" im Jahre 2012 wird sicherlich etwas ganz besonderes zu berichten haben. Ich hoffe, Sie lassen mich diesen Brief schreiben.

Philip H. Knight

Philip H. Knight
Generaldirektor
und Präsident

FELIZ CUMPLEAÑOS. Este verano se cumplirán 20 años desde que 45 empleados fundaron NIKE en una pista de atletismo en Eugene, Oregón. Empezamos con solo una marca registrada, una banda para zapatillas y muchas esperanzas.

En el primer año de NIKE nuestras ventas fueron de \$3.2 millones. Era el comienzo.

Hubo muchos días oscuros. Siempre supimos que podíamos fracasar, a veces incluso pensamos que deberíamos fracasar, pero nunca pensamos que fracasaríamos.

Si resumimos la historia de estos 20 años, fue así: 0-1-1-1-2-1-1. O traduciéndolo, pasamos de 0 a ser el número 1 en Oregón, al número 1 en la costa del Pacífico, al número 1 en USA, al número 2 en USA, al número 1 en USA, al número 1 en el mundo. O por si te interesan más los datos aritméticos: de \$3.2 millones a \$3.4 mil millones.

Estamos orgullosos de nuestra innovaciones durante todo este proceso. En cuanto a producto, hemos sido los introductores de cada mejora en calzado deportivo en los últimos 20 años: los primeros zapatos de atletismo con amortiguación, los primeros zapatos de atletismo con la parte superior de nylon, la suela exterior Waffle, la amortiguación NIKE-AIR, la primera zapatilla de cross-training, la parte superior Air-Fit y la parte superior elástica Dynamic-Fit.

Durante todo el proceso, contribuimos en la realización de proezas atléticas que se encuentran registradas en los libros de récords mundiales. NIKE formaba parte de la primera presentación de Jimmy Connors en Wimbledon en 1974 y de Andre Agassi en 1992. Durante todo este período también se incluye: la medalla olímpica de oro en la maratón femenina (celebrado por primera vez) para Joan Benoit Samuelson, 7 no-biters de Nolan Ryan, 8 campeonatos masculinos de baloncesto NCAA, 18 de los 24 equipos de la selección de fútbol americano en 1992, 27 saltos récords mundial de Sergey Bubka, el 53% de los miembros del equipo olímpico de los Estados Unidos de 1992, 1 campeonato europeo de fútbol de Borussia Dortmund y un par de chicos que se llaman Michael y Bo que simplemente desafían las estadísticas.

1980-92 COMO INVERSION. Si en los primeros 20 años hubo muchos momentos motivo de orgullo para los productos de NIKE y en el campo de deporte... nosotros tampoco lo hemos hecho tan mal con nuestros accionistas.

Este último año la compañía: Conquistó un récord de ventas y beneficios... el quinto año consecutivo (y también habrá por lo menos un sexto año). Aumentó los beneficios en un 15%. Aumentó las ventas en más del 15%, al tiempo que los stocks disminuyeron el 20%, gracias a una excelente gestión de stocks. Aumentó los márgenes totales de beneficio del 38,4% a un récord del 38,7%. Rompió por primera vez la barrera de los mil millones de dólares en ventas internacionales en sólo un año fiscal. Aumentó espectacularmente las ventas y la participación en el mercado de calzado y ropa para fitness femenino. Definió la última categoría de crecimiento de productos de sportwear logró ganancias en calzado y ropa por encima del 100%. Introdujo el calzado de Huarache Dynamic-Fit, acogido con gran entusiasmo tanto por los comerciantes como por los consumidores. Lanzó la Air Raid, el único zapato nuevo en la industria que ha tenido tanto éxito este año. Creó los nuevos productos Air Max para la primavera del 93, llevando la amortiguación NIKE-AIR a niveles aún más altos. Anunció un récord de pedidos de programaciones futuras de \$1.6 mil millones para junio a noviembre de 1992, un aumento del 17% sobre nuestro último período récord de entregas futuras.

NIKE comenzó a cotizar en bolsa en diciembre de 1980 a \$5.50 por acción. En el momento de escribir esta carta, la bolsa está vendiendo a \$65 por acción, un crecimiento del valor comercial del 30% anual y actualmente paga los dividendos al contado a razón de \$6 por acción. No está tan mal...

En los últimos 20 años escribí un solo informe anual en el que dije que todavía no éramos una compañía muy buena. Ahora nos calificaria de 'muy buena,' pero nuestro múltiplo es más bajo. Cálculalo.

Pero he aquí el dilema: Explicar NIKE actualmente es más difícil que hace 20 años cuando acabábamos de empezar o incluso hace 12 años cuando cotizamos en la bolsa por primera vez.

En términos muy sencillos se nos resumió con la vieja etiqueta de compañía de calzado deportivo o se nos agrupó en la categoría de ropa. La sabiduría convencional impone un múltiplo muy rebajado para estas categorías.

Ah, sí, esa es la misma sabiduría convencional que hemos encontrado en otras partes de nuestro negocio: Nadie batirá nunca más el récord de salto de longitud de Beamon a nivel del mar. Andre Agassi no puede ganar en tierra. Nolan Ryan es demasiado viejo. Los atletas comunistas no entenderán los incentivos económicos capitalistas. Un hombre negro no podrá ser nunca un buen portavoz de la empresa en la América blanca. El resto del mundo ha llegado al nivel del baloncesto de los Estados Unidos.

EL FUTURO. Lo que la sabiduría convencional ignora es el lenguaje internacional del deporte. Cuando compramos una compañía extranjera de distribución, como hicimos en Australia el 1 de junio ya existe una demanda considerable. Nuestros clientes destinatarios han estado observando a John McEnroe y Charles Barkley durante años. Los lazos sentimentales están en el lugar apropiado.

Hace dos meses en una encuesta de una escuela superior de la República Popular de China se intentaba descubrir quién era el hombre más importante del mundo. La encuesta mostró un vínculo entre Chou En Lai y Michael Jordan.

Los confusos padres preguntaron: '¿Quién es Michael Jordan?' a lo que los enojados niños respondieron: 'es el jugador estrella del equipo de baloncesto Chicago Red Oxen.'

¿Cómo esperamos conquistar países extranjeros? De la misma forma que hicimos aquí. Simplemente exportando deportes, la mejor moneda del mundo para el comercio.

La División Internacional es la que dirigirá nuestro continuo crecimiento durante los próximos cuatro años. El año pasado creció un 32% y en el año 1996 para nosotros será mayor que el mercado de los Estados Unidos. Opera a nivel internacional era más factiva variables en cualquier negocio y hace que dirigirlo se más fácilmente. Pero también reduce el riesgo total de la compañía e incentiva nuestro crecimiento hasta los \$6 mil millones en el año 1996.

Personal cualificado ha estudiado las cifras y el posicionamiento de NIKE concluye diciendo: 'Pueden hacerlo.'

Nuestro objetivo para los meses y años venideros es superar la concepción del pasado, la sabiduría convencional que afirma que una compañía de zapatos deportivos/ropa tendrá que tener un múltiplo más bajo que el nivel medio. Parte de nuestro desafío es conseguir que los inversores entiendan que NIKE tiene la representación exclusiva de una marca mundial.

Aunque una carta del Presidente de NIKE, o incluso un informe anual una vez al año no sea suficiente para cubrir todas las complejidades del esfuerzo de una compañía para ser internacional y crecer un 15% al año—y presentar una imagen mejorada a los inversores—de todos modos hemos aprendido algo de nuestros primeros 20 años.

Sabemos que tenemos que construir una compañía total, y no solamente componentes como marketing y producción y relaciones con inversores. Creo que las 6500 personas que actualmente trabajan en NIKE tienen la misma actitud sobre los próximos 20 años que tenía el pequeño grupo de hace 20 años: algo de temor por la dificultad de la tarea, pero la profunda convicción de que sabemos hacerlo.

En los últimos 20 años han sido un recorrido emocionante y lucrativo, pero nuestras mayores oportunidades se encuentran en el futuro. La carta del Presidente en el año 2012 realmente será algo importante. Espero que me dejen escribirlo.

Philip H. Knight

Philip H. Knight
Presidente de la Junta Directiva
y Principal Jefe Ejecutivo

At NIKE the past is more a tool than it is a memory. Looking back we see innovation that helped change the world of sports and fitness; we see proof of our ability to create and respond to opportunity in the future.

The halfway mark. Constant growth. 3,600 employees worldwide. Constant movement. Air Force 1, the first basketball shoe with NIKE-AIR® cushioning. Always forward. Aston Villa wins the European Cup in NIKE soccer shoes. Revenues top \$690 million. More than 200 NIKE shoe styles. More than 200 NIKE apparel styles.

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The idea of fitness so pervades contemporary thinking that it is difficult to imagine a time when it was limited to the world of professional athletes. All that began to change in the late 1960s. People started realizing the direct impact that exercise has on the quality of life. A major spark for this awakening was a small book published in 1967 called "Jogging." The unfamiliar term soon became a call to action for a generation. The author

sports and fitness for all

was Bill Bowerman, track coach at the University of Oregon in the quiet Willamette Valley community of Eugene. NIKE, co-founded by Bowerman and running protégé Phil Knight, has been at the forefront of sports and fitness innovation for the last 20 years. The same visionary thinking that helped launch the fitness revolution continues to offer products and services that enrich people's lives around the world. As much





For NIKE, innovation took a giant leap forward when, in 1972, Bill Bowerman sat at his breakfast table staring into a plate of waffles. Inspired, he ran to his garage and filled the waffle iron with latex rubber, giving rise to the first Waffle® outsole, and a way to provide runners better traction and more durability with less weight. In 1978 an even greater innovation entered the realm of athletic foot- *innovation defined* wear, NIKE-AIR technology. It remains the standard of excellence in cushioning against the impact forces of sports activities. Every NIKE innovation begins with the athlete. Scientists at the NIKE Sport Research Laboratory focus carefully on the biomechanics of physical activity. NIKE's Advanced Product Engineers (A.P.E.s) search for new efficiencies in materials and production methods. Together, their findings are used to





They were runners. Unknown to the world, they helped turn a sleepy Oregon town into the mecca for track-and-field aspirants. Names like Steve Prefontaine and Kenny Moore, people to whom greatness was just a fortunate by-product of their love for running. Most were students, at some time, at the University of Oregon. Many became Olympians, some *honored the athlete* became world record holders, others had a "normal" life. They all contributed. Without them, there would be no "boom" for running, and there would be no NIKE. Today, premier athletes from around the world contribute to NIKE's living heritage. Runners like Michael Johnson and PattiSue Plumer; track star Sergey Bubka, the pole vaulter who has broken his own world records 27 times; young





Strong, focused market segmentation has always been at the core of NIKE's success. Twenty years ago it was easy. NIKE built training and racing shoes for serious runners. The consumer was well-known, often on a first-name basis. Feedback was direct and NIKE's response was immediate. To maintain this level of service (and its attendant level of growth), NIKE continues its emphasis on focused *user-nike* market segmentation. Today, NIKE counts all people as active or potential consumers. Among the most promising market segments are the categories dominated by women, such as aerobics and walking. NIKE offers these consumers unique collections of footwear and apparel products that match their growing efforts to integrate fitness into a balanced, healthy lifestyle. Women have responded, fueling growth of 24%





A young runner once asked Bill Bowerman how to improve his times. Bowerman replied, "Run faster." The answer reveals his humor and minimalist philosophy. The Cortez, made to Bowerman's specifications in 1966, became the best-selling shoe for Blue Ribbon Sports, the forerunner of NIKE. But it was the Waffle[®] outsole that allowed Bowerman and Knight to launch a distinct product line based on better, lighter, more stable running shoes. The motivation was always the same: Help athletes run faster. Performance *the shoes we wear* remains the cornerstone of every NIKE product. The success of the AIR JORDAN[®] shoe, now in its ninth year of development, has paralleled the rise of basketball as a global sport and helped NIKE become the undisputed leader in basketball. The Air Trainer[®] High defined a fitness revolution—cross-training. The Air Mowabb took cross-training outdoors in 1992. Products like these in the industry's largest categories have helped make NIKE the dominant force in athletic footwear. Constant innovation and refinement





It was against the rules. NIKE should not have been handing out T-shirts that day at the Olympic trials in 1972. But, nobody had ever heard of NIKE before. It could have been a new club soda as far as anybody knew. So, there were no concerns when the shirts began showing up on the athletes...and officials. The strategy marked the beginning of a grass roots promotion that would take the fledgling brand to key athletes and events around the *excellence in apparel* country. Today, apparel has become far more than a promotional tool. In fiscal year 1992, apparel accounted for nearly \$630 million in worldwide revenues. Leading the charge is NIKE F.I.T.[™]—Functional Innovative Technology— a group of high-performance fabrics developed exclusively for NIKE. The increasingly sophisticated consumer demands such products, built to perform for all athletes in all conditions. This





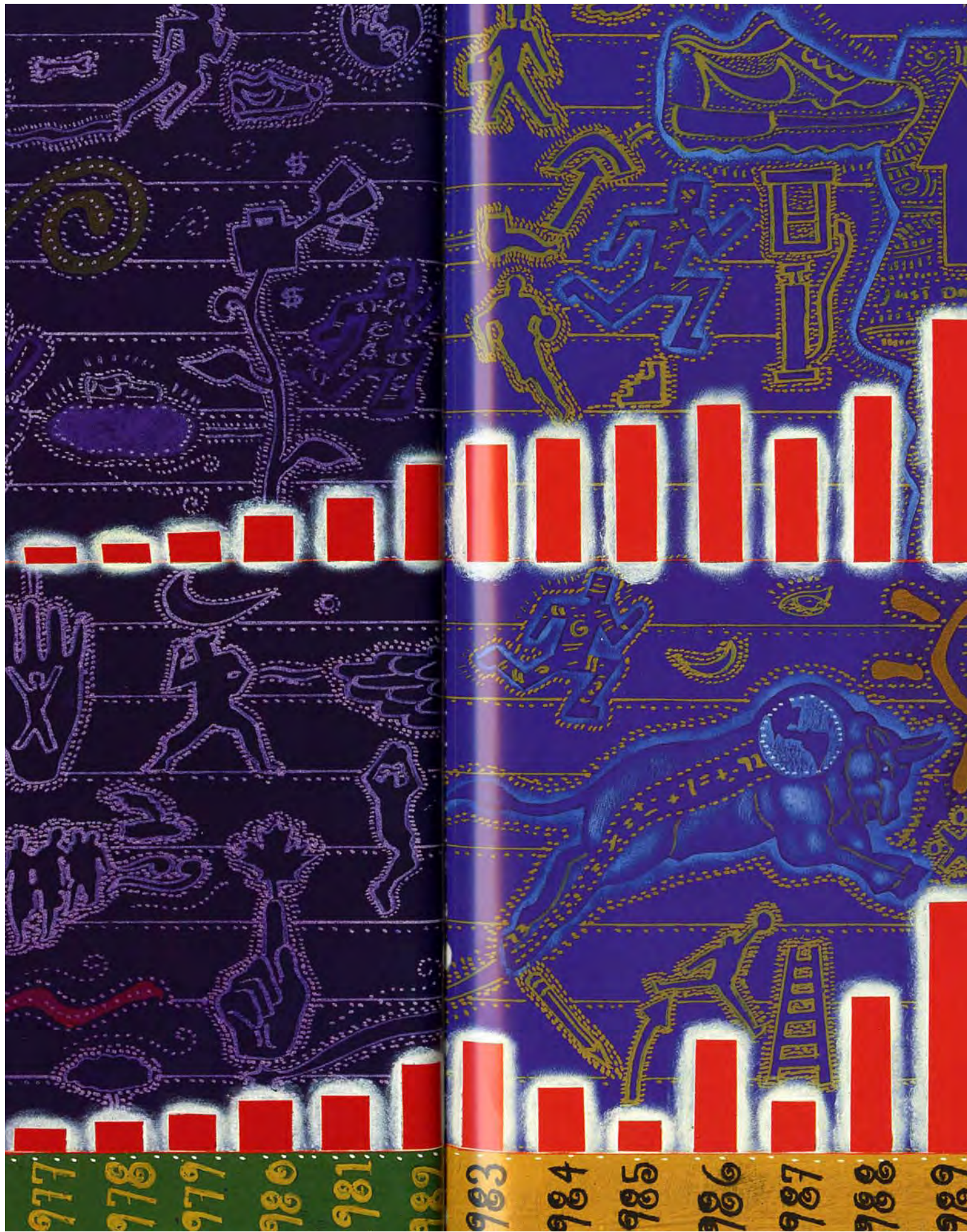
The NIKE image. It defies strict definition, though certain elements are consistent. Early advertising and promotional efforts focused on the shoe, its features and benefits, and touted the performance and availability of the young brand. Endorsement by leading athletes helped establish NIKE as an authentic, athletic company. Superior product quality *looks like nike* held it all together. In the years since, corporate communication has broadened to make NIKE one of the few global leaders with an actual personality. People anxiously await the debut of new advertising, and are equally enthusiastic in their response. The U.S. women's print campaign, for instance, has garnered unanimous acclaim for its message





To the degree that you can assign latitude and longitude to a vision, NIKE began in Eugene, Oregon. Even then, NIKE was an international company. The early efforts of Blue Ribbon Sports centered on distributing shoes for Japan-based Onitsuka Tiger. Initial financing for NIKE was achieved in concert with the Bank of Tokyo through the Japanese trading company Nissho Iwai. The marketing of NIKE shoes took place on the international *a global brand* Olympic stage. Today, NIKE's global presence is the result of 20 years of innovative products and marketing. In April 1992, NIKE's international sales passed \$1 billion for the first time in a single fiscal year and now represent 33% of worldwide revenues. European revenues alone exceeded \$900 million for fiscal year 1992, up from \$334 million two years ago. Having grown at an annual compounded rate of 41% since fiscal year 1981, international





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	1991	1990	1989	1988
	03,610	\$2,235,244	\$1,710,803	\$1,203,440
	87,046	242,958	167,047	101,695
	3.77	3.21	2.22	1.35
	.52	.38	.27	.20
	65,524	\$ 564,521	\$ 422,478	\$ 298,816
	08,430	1,094,552	825,410	709,095
	29,992	25,941	34,051	30,306
	300	300	300	300
	32,789	784,219	561,804	411,774

	3rd Quarter		4th Quarter		
	1992	1991	1992	1991	
	8	\$867,019	\$802,208	\$847,614	\$718,967
	3	334,446	306,035	327,122	293,235
	1	82,517	70,668	70,729	58,643
	7	1.08	.93	.92	.76
	4	.15	.14	.15	.14
	8	77 ³ / ₈	53 ³ / ₈	74 ⁷ / ₈	54 ¹ / ₂
	6	57 ¹ / ₄	34 ¹ / ₂	56 ³ / ₄	38 ¹ / ₈

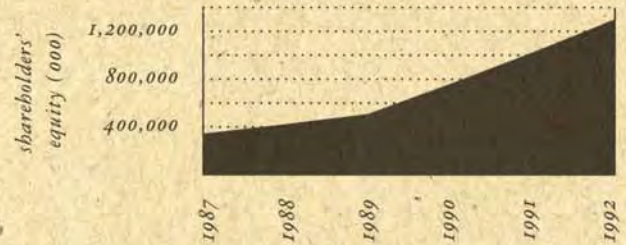
October 5, 1990. The Company's Class B Common Stock is
 CE. At May 31, 1992, there were approximately 5,500

5 Year Growth in Net Income



NIKE is the most profitable company in the industry and has grown earnings at a compounded rate of 56% over the past 5 years

5 Year Growth in Shareholders' Equity



During the past five years, shareholders' equity has grown at an annual compounded rate of 32%

5 Year History of Cash Flows Provided by Operations



During the past five years, NIKE has generated over \$766 million from operations.

In February 1992, the Financial Accounting Standards Board (FASB) issued a new standard to account for "Accounting for some Taxes." The Company does not expect the financial impact of the adoption of this standard to be material to its financial position and results of operations. See further discussion in Note 1 of the Consolidated Financial Statements.

Worldwide orders for athletic footwear and apparel booked for delivery from June through November 1992 are approximately 15% higher in dollars than such orders booked in the comparable period of the prior year. These orders are not necessarily indicative of all revenues for subsequent periods because the mix of advance orders and "at once" shipments may vary significantly between domestic and international operations as well as from quarter to quarter and year to year.

The Company's international operations are subject to the usual risks of doing business abroad, such as the imposition of port quotas. In that regard, certain countries within the European Community (EC) have for some time maintained quotas restricting the importation of footwear manufactured in The People's Republic of China. In addition, as of the date of this report, the EC is considering enacting quotas that would be applicable throughout the 12 member countries which comprise the EC. No formal action has yet been taken and the Company is still unable to predict the likelihood, timing or effects of such action. However, current proposals indicate that, in the event quotas are enacted, technical athletic footwear may be excluded, thereby reducing any impact to the Company. The Company continues to closely monitor this situation and develop contingency plans which the Company believes will prepare it to deal effectively with any such limitations that may arise and that any adverse impact will be of a short-term nature.

Quality and Capital Resources

The Company's financial condition is exceptionally strong. Stockholders' equity increased \$299 million, or 29%, from May 31, 1991 and has increased \$547 million, or 70%, from May 31, 1990. Cash and equivalents at May 31, 1992 more than doubled to 60 million compared to \$120 million at May 31, 1991. Working capital at May 31, 1992 increased \$302 million, or 45%, over the prior year primarily due to increases in cash and equivalents and accounts receivable and decreases in notes payable. The current ratio at May 31, 1992 was 3.3:1 compared to 2.1:1 at May 31, 1991.

Inventories decreased \$115 million from May 31, 1991 to \$471 million at May 31, 1992, primarily due to a decrease in domestic footwear inventories of approximately \$124 million. Domestic Apparel inventories also decreased while international inventories increased due to the continued acquisition of foreign distributors. The Company anticipates inventories will increase slightly in fiscal 1993 in line with anticipated revenue growth. Accounts receivable increased 14%, in proportion to the 13% 1992 revenue growth. Notes payable and accounts payable decreased \$195 million and \$51 million, respectively, due to the decrease in inventories and the significant amount of cash generated by operations.

Capital expenditures for 1992 aggregated \$106 million, primarily for continued construction at the Company's new world headquarters facility in Beaverton, Oregon, electronic data processing equipment, expansion and retrofit of domestic and international rehouse facilities and new NIKE retail locations. Capital expenditures of \$165 million in 1991 were primarily attributable to the construction of world headquarters, the purchase of a new midwest apparel distribution facility in Memphis, Tennessee, new distribution facilities in France and the U.K., and electronic data processing equipment. In 1990, capital expenditures were \$87 million and were primarily for construction of the world headquarters. Anticipated capital expenditures for fiscal 1993 approximate the 1992 level. The Company has little invested in manufacturing plant and equipment because most of the manufacturing of NIKE products is done on a contract basis through independent factories.

The quarterly cash dividend (adjusted for the 2-for-1 stock split) of \$.075 per share for the first quarter of 1990, was increased to \$0.10 per share in the second quarter of fiscal 1990, to \$0.14 per share in the second quarter of fiscal 1991 and to \$0.15 per share in the third quarter of fiscal 1992. Dividends were declared in all four quarters during fiscal 1992. Based upon currently projected earnings and cash flow requirements, the Company anticipates continuing a dividend and reviewing it during the second quarter board meeting. It continues to be the Company's policy to maintain a dividend in the range of 15% to 25% of trailing twelve month earnings.

The Company's commercial paper programs, which are required to be supported by committed and uncommitted lines of credit, had \$0 outstanding at May 31, 1992 and \$148 million outstanding at May 31, 1991. The Company also has a committed \$300 million multiple option credit facility under which no amounts were outstanding at May 31, 1992. There were no amounts outstanding under a similar \$150 million facility at May 31, 1991. See Note 4 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, 1992 is 4:1 compared to 7:1 at May 31, 1991 and 4:1 at May 31, 1990. Management believes that funds generated by operations, together with currently available sources, will adequately finance anticipated 1993 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 outside 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 7, 1992

*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, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 1992, 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

In February 1992, the Financial Accounting Standards Board (FASB) (FAS) issued a new standard to be adopted for accounting for some taxes. The Company does not expect the financial impact of the adoption of this standard to be material to its financial position and results of operations. See further discussion in Note 1 of the Consolidated Financial Statements.

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Pricewaterhouse

NIKE, INC. CONSOLIDATED STATEMENT OF INCOME

(in thousands, except per share data)

or Ended May 31,	1992	1991	1990
revenues	\$3,405,211	\$3,003,610	\$2,235,244
costs and expenses:			
Cost of sales	2,089,089	1,850,530	1,384,172
Selling and administrative	761,498	664,061	454,521
Interest (Notes 3, 4 and 5)	30,665	27,316	10,457
Other expense (income) (Notes 9 and 10)	2,141	(43)	(7,264)
	2,883,393	2,541,864	1,841,886
come before income taxes	521,818	461,746	393,358
come taxes (Note 6)	192,600	174,700	150,400
net income	\$ 329,218	\$ 287,046	\$ 242,958
net income per common share (Note 1)	\$ 4.30	\$ 3.77	\$ 3.21
average number of common and common equivalent shares (Note 1)	76,602	76,067	75,668

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

NIKE, INC. CONSOLIDATED BALANCE SHEET

(in thousands)

May 31,	1992	1991
Assets		
Current Assets:		
Cash and equivalents	\$ 260,050	\$ 119,804
Accounts receivable, less allowance for doubtful accounts of \$20,046 and \$14,288	471,202	586,594
Inventories (Note 2)	596,018	521,588
Deferred income taxes (Note 6)	27,511	25,536
Prepaid expenses	32,977	26,738
Total current assets	1,387,758	1,280,260
Property, plant and equipment (Notes 3 and 5)	497,795	397,601
Less accumulated depreciation	151,758	105,138
	346,037	292,463
Goodwill (Note 1)	110,363	114,710
Other assets	28,703	20,997
	\$1,872,861	\$1,708,430
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current portion of long-term debt (Note 5)	\$ 3,652	\$ 580
Notes payable (Note 4)	105,696	300,364
Accounts payable (Note 4)	134,729	165,912
Accrued liabilities	134,089	102,688
Income taxes payable	42,422	45,792
Total current liabilities	420,588	614,736
Long-term debt (Note 5)	69,476	29,992
Non-current deferred income taxes and other liabilities (Note 6)	50,802	30,613
Commitments and contingencies (Note 11)	—	—
Redeemable Preferred Stock (Note 7)	300	300
Shareholders' equity (Note 8):		
Common Stock at stated value:		
Class A convertible—26,919 and 27,438 shares outstanding	161	164
Class B—48,591 and 47,858 shares outstanding	2,716	2,712
Capital in excess of stated value	93,799	84,681
Foreign currency translation adjustment	686	(4,428)
Retained earnings	1,234,333	949,660
	1,331,695	1,032,789
	\$1,872,861	\$1,708,430

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

NIKE, INC. CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)	1992	1991	1990
Ended May 31,			
h provided (used) by operations:			
Net income	\$329,218	\$287,046	\$242,958
Income charges (credits) not affecting cash:			
Depreciation	47,665	34,473	17,130
Deferred income taxes and purchased tax benefits	8,222	(2,668)	(946)
Other, including amortization	19,347	10,395	8,111
Changes in certain working capital components:			
Decrease (increase) in inventory	115,392	(274,966)	(86,552)
Increase in accounts receivable	(74,430)	(119,958)	(104,527)
Increase in other current assets	(6,239)	(6,261)	(4,997)
(Decrease) increase in accounts payable, accrued liabilities and income taxes payable	(2,552)	86,105	55,898
Cash provided by operations	436,623	14,166	127,075
h provided (used) by investing activities:			
Additions to property, plant and equipment	(106,492)	(164,843)	(87,195)
Disposals of property, plant and equipment	4,065	1,730	810
Acquisition of Tetra Plastics:			
Goodwill	—	(31,482)	—
Net assets acquired	—	(6,081)	—
Additions to other non-current assets	(7,494)	(10,511)	(3,044)
Cash used by investing activities	(109,921)	(211,187)	(89,429)
h provided (used) by financing activities:			
Additions to long-term debt	45,901	5,149	903
Reductions in long-term debt including current portion	(3,467)	(9,974)	(2,105)
(Decrease) increase in notes payable	(194,668)	269,462	(8,068)
Proceeds from exercise of options	4,159	3,211	1,652
Dividends—common and preferred	(44,545)	(39,114)	(28,092)
Cash (used) provided by financing activities	(192,620)	228,534	(35,710)
ct of exchange rate changes on cash	6,164	(2,158)	2,764
increase in cash and equivalents	140,246	29,355	4,700
h and equivalents, beginning of year	119,804	90,449	85,749
h and equivalents, end of year	\$260,050	\$119,804	\$ 90,449

Supplemental disclosure of cash flow information:

Cash paid during the year for:			
Interest (net of amount capitalized)	\$ 29,200	\$ 27,200	\$ 10,600
Income taxes	184,100	159,900	145,900

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

NIKE, INC. CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in thousands)	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, 1989	14,295	\$171	23,004	\$2,700	\$74,227	\$(2,156)	\$486,862	\$61,804
Stock options exercised	114	2	73	1	4,355			4,358
Conversion to Class B Common Stock	(358)	(5)	358	5				—
Translation of statements of foreign operations						3,191		3,191
Net income—year ended May 31, 1990							242,958	242,958
Dividends on Redeemable Preferred Stock							(30)	(30)
Dividends on Common Stock							(28,062)	(28,062)
Balance at May 31, 1990	14,051	168	23,435	2,706	78,582	1,035	701,728	784,219
Stock options exercised				276	2	6,099		6,101
Conversion to Class B Common Stock	(393)	(4)	393	4				—
Two-for-one Stock Split October 5, 1990	13,780	—	23,754	—				—
Translation of statements of foreign operations						(5,463)		(5,463)
Net income—year ended May 31, 1991							287,046	287,046
Dividends on Redeemable Preferred Stock							(30)	(30)
Dividends on Common Stock							(59,084)	(59,084)
Balance at May 31, 1991	27,438	164	47,858	2,712	84,681	(4,428)	949,666	1,032,789
Stock options exercised				214	1	9,118		9,119
Conversion to Class B Common Stock	(519)	(3)	519	3				—
Translation of statements of foreign operations						5,114		5,114
Net income—year ended May 31, 1992							329,218	329,218
Dividends on Redeemable Preferred Stock							(30)	(30)
Dividends on Common Stock							(44,515)	(44,515)
Balance at May 31, 1992	26,919	\$161	48,591	\$2,716	\$93,799	\$ 686	\$1,234,333	\$1,331,695

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

11 — Summary of significant accounting policies:

Consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant company 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 90 days 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 domestic inventories. Foreign inventories were valued on a LIFO basis prior to fiscal 1990, and on a first-in, first-out (FIFO) basis thereafter.

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, based upon estimated useful lives ranging from three to thirty-two years.

Goodwill:

At May 31, 1992 and 1991, the Company's excess of purchase cost over the fair value of net assets of businesses acquired was \$2,363,000 and \$114,710,000, respectively, net of amortization of \$16,880,000 and \$12,062,000, respectively. This excess is being amortized on a straight-line basis principally over 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.

Forward exchange contracts:

The Company enters into forward exchange contracts in order to reduce the impact of foreign currency fluctuations on its U.S. purchases of inventory. Gains or losses on these transactions are matched to inventory purchases and charged or credited to cost of sales as such inventory is sold.

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 financial statement earnings of foreign subsidiaries expected to be repatriated.

In February 1992, the Financial Accounting Standards Board (FASB) issued a new standard (FAS 109), "Accounting for Income Taxes." The new statement will change the Company's method of accounting for income taxes from the deferred method (FAS 96) to an asset and liability approach. The new approach requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of other assets and liabilities. One of the principal differences from APB 11 is the recognition of changes in tax rates and laws in income from continuing operations in the period in which the changes are enacted; whereas under the APB 11 such changes were reflected over time, if at all. The Company is not required to adopt this statement until fiscal 1994, as permitted by FAS 109, but is considering early adoption. The Company expects to utilize the prospective adoption method which recognizes the cumulative effect of the changes in accounting principles on the income of the period in which the statement is adopted. The Company has not yet quantified the financial impact of the adoption, but expects the impact will be immaterial to 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.

Stock split:

On October 5, 1990, the Company issued additional shares in connection with a two-for-one stock split effected in the form of a 100% stock dividend on outstanding Class A and Class B common stock. The per common share amounts in the Consolidated Financial Statements and accompanying notes have been adjusted to reflect this stock split.

Reclassifications:

Certain prior year amounts have been reclassified to conform to the 1992 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

Note 2 — Inventories:

Inventories by major classification are as follows:

(in thousands)

May 31,	1992	1991
Finished goods	\$460,208	\$577,176
Work-in-process	8,541	6,401
Raw materials	2,453	3,017
	\$471,202	\$586,594

The excess of replacement cost over LIFO cost approximated \$16,852,000 at May 31, 1992 and \$18,958,000 at May 31, 1991. During 1992, certain inventory quantities were reduced resulting in liquidations, which were not material, of LIFO inventory quantities carried at different costs prevailing in prior years as compared with the cost of 1992 purchases.

Note 3 — Property, plant and equipment:

Property, plant and equipment includes the following:

(in thousands)

May 31,	1992	1991
Land	\$ 47,612	\$ 44,898
Buildings	125,703	105,710
Machinery and equipment	254,329	210,173
Leasehold improvements	32,380	21,584
Construction in process	37,771	15,236
	497,795	397,601
Less accumulated depreciation	151,758	105,138
	\$346,037	\$292,463

Capitalized interest expense relating to construction of the Company's world headquarters and other projects was \$636,000, \$3,444,000 and \$3,240,000 for the fiscal years ended May 31, 1992, 1991 and 1990, respectively.

14 — Short-term borrowings and credit lines:

Notes payable to banks and interest-bearing accounts payable to Nissho Iwai American Corporation (NIAC) are summarized as follows:

	Banks					
	Domestic Operations		Foreign Operations		NIAC	
	Borrowings	Interest Rate	Borrowings	Interest Rate	Borrowings	Interest Rate
31, 1992	\$ 4,874	4 3/4%	\$100,822	9 3/4%	\$53,300	4 3/4%
31, 1991	\$201,939	6 3/4%	\$ 98,425	10 1/2%	\$70,709	7 7/8%

At May 31, 1992, NIKE had no outstanding borrowings under its \$300 million unsecured multiple option facility with ten banks. At May 31, 1991, NIKE had no outstanding borrowings under a similar \$150 million facility with fifteen banks. On June 1, 1992, the Company extended for one year the \$300 million unsecured multiple option credit facility with sixteen banks. This agreement contains optional borrowing alternatives consisting of a committed revolving loan facility and a competitive facility. The interest rate charged on this agreement is determined by the borrowing option and under the committed revolving facility is either the Prime Rate or London Interbank Offered Rate (LIBOR) plus .30%. The agreement provides for annual fees of 5% of the total commitment. Under the agreement, the Company must maintain, among other things, certain minimum financial ratios and balances. A domestic subsidiary had \$4,874,000 and \$7,100,000 outstanding at May 31, 1992 and May 31, 1991, respectively, under unsecured, uncommitted short-term credit agreements. At May 31, 1992 and 1991, there was \$46,500,000, respectively, outstanding under unsecured, uncommitted short-term credit facilities with several banks.

During 1991, ratings were reaffirmed for the Company to issue commercial paper which is required to be supported by letterhead and uncommitted lines of credit. At May 31, 1992 and 1991, there was \$0 and \$148,339,000 outstanding under these agreements, respectively.

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 can be 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 the ninety day LIBOR rate as of the beginning of the month of the invoice date, plus .30%.

15 — Long-term debt:

Long-term debt includes the following:

	1992	1991
% unsecured term loan, due July 1993	\$25,000	\$25,000
% unsecured term loan, due June 1993	25,000	—
% capital warehouse lease, payable in quarterly installments through 2007	12,349	—
Other	10,779	5,572
Total	73,128	30,572
Current maturities	3,652	580
	\$69,476	\$29,992

The two \$25 million term loan agreements require, among other things, the maintenance of specified financial ratios and contain limits on the amount of investments and sales of assets.

Amounts of long-term maturities in each of the five fiscal years 1993 through 1997 respectively, are \$3,652,000, \$73,000, \$721,000, \$796,000 and \$865,000.

Note 6 — Income taxes:

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

(in thousands)	1992	1991	1990
Year Ended May 31,			
Income before income taxes:			
United States	\$317,560	\$203,016	\$300,924
Foreign	204,258	168,730	92,434
	\$521,818	\$461,746	\$393,358
Provision for income taxes:			
Current:			
United States			
Federal	\$ 91,652	\$104,743	\$102,535
State	22,306	21,424	21,567
Foreign	68,337	50,474	29,689
	182,295	176,641	153,791
Deferred:			
United States			
Federal	11,030	(1,959)	(4,234)
State	200	(1,053)	(420)
Foreign	(925)	(3,371)	(1,263)
	10,305	(1,641)	(3,391)
	\$192,600	\$174,700	\$150,400

As of May 31, 1992 the Company has utilized all foreign tax credits.

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

(in thousands)	1992	1991	1990
Year Ended May 31,			
Inventory adjustment to market	\$ 756	\$ (903)	\$(1,264)
Reserves and accrued liabilities	(845)	1,483	17
Tax basis adjustments to inventory	1,645	(5,311)	359
Purchased tax benefits	(693)	(553)	(441)
Deferred compensation	(485)	796	(40)
Barter credits	—	92	—
Undistributed earnings of foreign subsidiaries	10,799	5,825	(1,150)
Bad debts	(1,030)	(979)	(1,378)
Other, net	158	(2,091)	506
	\$10,305	\$(1,641)	\$(3,391)

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

Year Ended May 31,	1992	1991	1990
U.S. Federal statutory rate	34.0%	34.0%	34.0%
State income taxes, net of federal benefit	3.0	3.0	3.6
Other, net	(1.1)	.8	.6
Effective income tax rate	36.9%	37.8%	38.2%

During 1982, the Company purchased future tax benefits for \$15,277,000. Tax benefits of \$6,847,000 in excess of the use price have been recognized as of May 31, 1992 and are classified in non-current deferred income taxes and other long-term assets.

7—Redeemable Preferred Stock:

Nissho Iwai American Corporation (NIAC) is the sole owner of the Company's authorized Redeemable Preferred Stock, \$1 blue, 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 years ended May 31, 1992. As the holder of the Redeemable Preferred Stock, NIAC does not have general voting rights but does 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 gear sold in the United States.

8—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 and 150,000,000 respectively, after reflecting the threefold increase approved by shareholders in September, 1990. The Company also effected a two-for-one stock split in the form of a 100% stock dividend on outstanding Class A and Class B Common Stock, paid October 5, 1990. 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.

The Company's Employee Incentive Compensation Plan (the "1980 Plan") was adopted in 1980 and expired on December 31, 1990. The 1980 Plan provided for the issuance of up to 3,360,000 shares of the Company's Class B Common Stock in connection with the exercise of stock options granted under such plan. No further grants will be made under the 1980 Plan.

In 1990, the Board of Directors adopted, and the shareholders approved, the NIKE, Inc. 1990 Stock Incentive Plan (the "1990 Plan"). The 1990 Plan provides for the issuance of up to 4,000,000 shares of Class B Common Stock in connection with stock options and other awards granted under such plan. The 1990 Plan authorizes the grant of incentive stock options, non-statutory stock options, stock appreciation rights, stock bonuses, and the sale of restricted stock. The exercise price for incentive stock options may be less than the fair market value of the underlying shares on the date of grant. The exercise price for non-statutory stock options, stock appreciation rights, and the purchase price of restricted stock, may not be less than 75% of the fair market value of the underlying shares on the date of grant. No consideration will be paid for stock bonuses awarded under the 1990 Plan. The 1990 Plan is administered by a committee of the Board of Directors. The committee has the authority to determine the employees to whom awards are made, the amount of the awards, and the other terms and conditions of the awards. As of May 31, 1992, the committee has granted substantially all non-statutory stock options at 100% of fair market value on the date of grant under the 1990 Plan.

The following summarizes the stock option transactions under the 1980 Plan and the 1990 Plan for the two fiscal years ended May 31, 1992:

	Shares (in thousands)	Option Price Per Share (\$)
Options outstanding May 31, 1990:		
Exercised	735	9.50 to 67.13
Surrendered	(275)	4.75 to 32.60
Granted	—	—
Stock split	338	26.00 to 75.37
	988	4.75 to 37.69
Options outstanding May 31, 1991:	1,786	4.75 to 37.69
Exercised	(181)	4.75 to 37.62
Surrendered	(5)	37.62
Granted	355	36.25 to 65.38
Options outstanding May 31, 1992:	1,955	4.75 to 65.38
Options exercisable at May 31:		
1992	526	4.75 to 37.68
1991	333	4.75 to 33.50

In addition to the option plans discussed above, the Company has several agreements outside the option plans with certain directors, athletes and employees. As of May 31, 1992, 938,000 options with exercise prices ranging from \$.417 per share to \$43.25 per share had been granted. The aggregate compensation expense related to these agreements is \$5,114,000 and is being amortized over vesting periods from October 1980 through August, 1995. The outstanding agreements expire from February 1998 through September, 2005.

The following summarizes transactions outside the option plans for the two years ended May 31, 1992:

	Shares (in thousands)	Option Price Per Share (\$)
Options outstanding May 31, 1990:	89	9.50 to 25.00
Exercised	—	—
Surrendered	—	—
Granted	—	—
Stock split	89	4.75 to 12.50
Options outstanding May 31, 1991:	178	4.75 to 12.50
Exercised	(33)	4.75 to 12.50
Surrendered	—	—
Granted	90	35.75 to 43.25
Options outstanding May 31, 1992:	235	4.75 to 43.25
Options exercisable at May 31:		
1992	133	4.75 to 43.25
1991	106	4.75 to 12.50

Note 9—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 \$8,800,000, \$7,800,000 and \$6,700,000 to the plan are included in other expense in the consolidated financial statements for the years ended May 31, 1992, 1991, and 1990, respectively.

Note 10—Interest income:

Included in other income for the years ended May 31, 1992, 1991, and 1990 is interest income of \$11,892,000, \$11,062,000, and \$12,324,000, respectively.

Note 11—Commitments and contingencies:

The Company leases space for its offices, warehouses and retail stores under leases expiring from one to fifteen years after May 31, 1992. Rent expense aggregated \$23,935,000, \$20,464,000, and \$15,599,000 for the years ended May 31, 1992, 1991, and 1990, respectively. Amounts of minimum future annual rental commitments under non-cancellable operating leases in each of the five fiscal years 1993 through 1997 are \$24,916,000, \$21,435,000, \$18,817,000, \$17,023,000, \$15,153,000 and in aggregate \$184,032,000.

12 — Operations by geographic areas:

The Company operates predominantly in one industry segment, that being the design, production and marketing of athletic casual footwear, apparel and accessories. During 1992, 1991 and 1990, sales to one major customer amounted to 14%, 17% and of total sales, respectively. Information about the Company's operations in the United States and international markets is noted below. Inter-geographic revenues and assets have been eliminated to arrive at the consolidated amounts. Expenses and assets identifiable with the operations of a specific geographic segment have been listed separately.

(in thousands)	1992	1991	1990
included May 31,			
Revenues from unrelated entities:			
United States	\$ 2,270,880	\$ 2,141,461	\$ 1,755,496
Europe	919,763	664,747	334,275
Other international	214,568	197,402	145,473
	\$ 3,405,211	\$ 3,003,610	\$ 2,235,244
Inter-geographic revenues:			
United States	\$ 7,265	\$ 9,111	\$ 4,765
Europe	—	—	—
Other international	9,076	11,892	5,628
	\$ 16,341	\$ 21,003	\$ 10,393
Inter-geographic revenues:			
United States	\$ 2,278,145	\$ 2,150,572	\$ 1,760,261
Europe	919,763	664,747	334,275
Other international	223,644	209,294	151,101
Less inter-geographic revenues	(16,341)	(21,003)	(10,393)
	\$ 3,405,211	\$ 3,003,610	\$ 2,235,244
Operating income:			
United States	\$ 356,589	\$ 325,257	\$ 315,246
Europe	173,175	134,069	55,098
Other international	51,602	51,745	42,880
Less corporate, interest and other income (expense) and eliminations	(59,348)	(49,325)	(19,866)
	\$ 521,818	\$ 461,746	\$ 393,338
Assets:			
United States	\$ 1,095,180	\$ 1,156,091	\$ 786,775
Europe	453,794	370,104	162,383
Other international	79,862	94,212	74,329
Total identifiable assets	1,628,836	1,620,407	1,023,487
Corporate cash and eliminations	244,025	88,023	71,065
Total assets	\$ 1,872,861	\$ 1,708,430	\$ 1,094,552

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