



CONVERSE

Hurley



**JULY 23, 2015**

## **TO OUR SHAREHOLDERS,**

These days, it's common to hear a company describe itself as innovative. But at NIKE, innovation is more than something we do – it's who we are. It's how we serve the athlete and lead our industry. It's how we challenge ourselves to get better, year after year. And the business results follow. In the last 10 years, we've more than doubled our revenue and nearly tripled our earnings per share. And we're not planning on slowing down any time soon. Consider that it took NIKE 40 years to reach annual revenues of \$20 billion, and just four years more to hit \$30 billion. As a company that operates in nearly every country around the world, NIKE continuously rises above the complexities that create uncertainty to drive growth.

And in fiscal year 2015, we demonstrated that kind of momentum yet again:

- Revenues grew 10% to \$30.6 billion.
- Gross margin expanded 120 basis points.
- Diluted earnings per share grew 25% to \$3.70, despite increasingly strong currency headwinds.
- Return on Invested Capital increased to 28.1%.

## **A YEAR TO CELEBRATE**

With financial results like that, it's easy to focus on celebrating the business – and understandably so. But I like to step back and stay equally focused on how we achieved this success. Our triumphs come because of our passion for sport. We are not just the world's No. 1 sports brand, we are sport's biggest fans and we've seen some amazing moments this past year. We saw Rory McIlroy win the Open Championship and the PGA Championship. Serena Williams continued her dominance with victories in the U.S. Open, Australian Open, French Open, and just a few weeks ago at Wimbledon for her 21st Grand Slam title. Ohio State won the first-ever College Football Playoff National Championship. FC Barcelona completed another historic "treble."



### **FC Barcelona**

*By winning the La Liga, Copa del Rey and UEFA Champions League titles, FC Barcelona took home the celebrated "treble" and continued to set the tone for football around the globe.*

Duke and UConn triumphed in the men's and women's NCAA basketball tournaments. Mario Götze booted home the winning goal that ended the men's World Cup. And Carli Lloyd's hat-trick in the women's World Cup final helped Team USA earn its third star.

These moments remind us of the power of sport to excite us and inspire us. At NIKE, we are honored to be part of them. By bringing innovation and passion to our athletes, we created a year's worth of special moments: The Prefontaine Classic in Eugene, Oregon, where NIKE track & field stars set records in our performance apparel and footwear. The NBA All-Star weekend in New York City and the NIKE World Basketball Festival in Barcelona where NIKE Basketball and Jordan Brand combined forces to redefine what's possible in the sport. And our Women's Event, where 27 of the world's top athletes unveiled new premium performance products. These are just a few of the events that exemplify our ability to create experiences that excite and inspire consumers around the world.



**Kirani James**

*The 2012 Olympic champion won the 400 meters during the 2015 Prefontaine Classic, joining the large family of NIKE track stars who put down statement times at the event.*

## **NIKE'S COMPETITIVE ADVANTAGE**

At NIKE, no one determines our future but us. We exist to serve the athlete and our success is determined by our ability to inspire and innovate to meet – and often exceed – their expectations. No matter the macro challenges, we have the plans and strategies to rise above. The breadth and depth of our powerful portfolio across brands, categories, geographies, gender and channel is unmatched. And we remain well-resourced and well-positioned to create competitive separation and deliver sustainable and profitable growth by continuing to leverage that portfolio. As always, the key to unlocking our highest earnings potential is our unshakable focus on the consumer. We believe that our relationship with the consumer is something we must earn every day, and our Category Offense enables us to do just that. It lets us be more aggressive, more nimble and, ultimately, it lets us simply be better. By defining our relationship through the lens of the consumer's favorite sport – across every key sport category in the world – we have an enormous competitive advantage. The insights we draw from these deep connections drive our work to innovate new products and services that engage and inspire – wherever our consumers compete, train or express themselves.

Our continued ability to leverage the Category Offense globally drove strong success in fiscal 2015. A few highlights:

- Our North America geography, where we've had the Category Offense in place the longest, continues to deliver tremendous growth. Fiscal 2015 was the fifth consecutive year of double-digit revenue growth for our largest geography, resulting in \$13.7 billion in total revenues and record profitability.
- In Western Europe, we continued to benefit from the restructuring we did three years ago, as currency-neutral revenue growth accelerated in fiscal 2015 to deliver \$5.7 billion in total revenues.
- Greater China returned to strong double-digit growth in fiscal 2015, fueled by our successful strategy to re-set the marketplace along the lines of the Category Offense. We saw 18% revenue growth and, importantly, drove increased productivity and profitability for ourselves and our wholesale partners in this important geography.
- Fiscal 2015 was a great year for our Women's business, as we drove 15% revenue growth to \$5.7 billion in wholesale equivalent revenues, outpacing the growth rate in both our Men's business and the total NIKE Brand.
- We continued to drive incredible revenue growth in Basketball, with fiscal 2015 up 19%, fueled by the strength of both NIKE Basketball and Jordan Brand. And we are excited to bring the full power of NIKE's innovation and creativity to the NBA starting in the 2017-18 season, to help grow the game of basketball even farther across our entire global portfolio.

With the Category Offense driving continued growth in our largest markets and categories around the world, we see tremendous opportunity to expand our business in areas with great potential, such as Apparel, Emerging Markets and Young Athletes. By remaining laser-focused on the consumer through the Category Offense, we will continue to unlock growth and profitability around the world.



**Serena Williams**

*Serena's career-long run of supremacy continued in 2015. The world's greatest athletes continue to inspire NIKE to deliver incomparable innovative products.*

## **INNOVATION TO SERVE THE ATHLETE AND FUEL GROWTH**

Throughout the year, our pace of innovation remained at an all-time high. In the last 12 months, NIKE introduced products that continuously raised the bar. The footwear highlights are many, but I'll provide a snapshot. In Basketball, standouts included the LeBron 12 with Zoom Air technology, the Kobe X and the introduction of the Kyrie 1, the first signature shoe from this explosive young player. Running saw the redesigned Pegasus 31 and the Air Max 2015. The NIKE MetCon 1, a first of its kind high-intensity training shoe, offered just a hint at what's to come in Men's Training. And Global Football's introduction of the Magista and the new Mercurial accelerated Flyknit technology, as we continue to identify disruptive technologies that deliver maximum performance with minimal environmental impact. Since its debut in 2012, NIKE's Flyknit

manufacturing process has reduced waste by nearly two million pounds – and this success has inspired us to engineer other new types of materials such as Flyweave, a strong yet lightweight weaving process we introduced in the Air Jordan XX9 and the KD8.

The year also saw many innovative products that drove our apparel business to new heights, including the NIKE Pro base layer collection and our NIKE Epic Lux tights. We continue to diversify one of our greatest apparel technologies, Dri-FIT, which is the adaptive foundation of everything from shirts to socks. Key Dri-FIT performance products introduced this year included NIKE Pro Hyperwarm, Running Dri-FIT Knit and the NIKE Pro Bra Collection.

It was an incredible year for the products that all athletes – elite and everyday – depend on to achieve their best.

### **A FUTURE ENABLED BY DIGITAL**

Our consumers live in a digital world, and we're focused on giving them what they want: easier access to product, more real-time feedback on their performance and a unified community for continued inspiration. Deeply personal and responsive, our digital ecosystem drives strong relationships, growing the NIKE+ community exponentially every year.

We are committed to driving growth by engaging all athletes, through online, in-store and live experiences. We build relationships with these consumers by maximizing the impact of our services, such as broadening access to the NIKE+ Running app through strategic partnerships to let runners connect via even more devices. And we've rolled out elevated NIKE+ Run Clubs in 20 cities around the world to offer runners more comprehensive programming and elite coaching. Similarly, we expanded our global reach by expanding our NIKE+ Training Club to 17 languages while adding sharing capabilities. All of these entry-points lead to serving the consumer through e-commerce. NIKE e-commerce revenue grew 55% in fiscal 2015 to over \$1 billion, fueled by an expansion to new countries and supported by experience-enhancing infrastructure investments. We know when consumers shop online they want a seamless, personalized, premium experience – and we deliver it on NIKE.com. While we're proud of achieving the milestone of \$1 billion in revenue for NIKE.com, we are only scratching the surface of what's possible with e-commerce, which remains one of the company's largest growth opportunities.



#### **Kyrie 1**

*Kyrie Irving's first signature shoe – representing NIKE Basketball's first player since Kevin Durant in 2007 to receive his own model – features Hyperfuse construction for lightweight support and superior traction for increased quickness.*

## A WINNING TEAM

Finally, a critical element of NIKE's success remains our management team. We spent fiscal 2015 preparing to say goodbye to our Chief Financial Officer, Don Blair, whose guidance of the company's finances was steady and superior. I'm thankful to Don for his work creating a foundation of excellence, and I know his legacy will be continued by all those who worked with him. And, of course, soon after fiscal 2015 ended, another leadership change was announced: the start of the succession planning process for our Chairman, Phil Knight. Much more will be said about Phil's eventual next steps, but I would be remiss if I didn't salute our co-founder at the start of his considered transition.



### Women's

*From the U.S. to China, women today are embracing sport as part of their everyday lives more than ever. NIKE is accelerating this cultural shift by offering premium products, services and live experiences.*

Our deep bench of talented leaders serves as a reminder of how NIKE is always looking to the future. This is a leadership team completely aligned against driving NIKE's biggest growth opportunities, in both our existing business and in new areas that we discover every day. NIKE is all about progress, because athletes are all about progress: the next goal, the next opportunity, the next triumph. As a company, we are always looking to expand the market through the right growth accelerators: digital platforms, advanced manufacturing, supply chain innovation and new partnerships. And throughout, we maintain a relentless focus on serving the consumer – anytime, anywhere.

As we look toward fiscal 2016 and beyond, NIKE faces a world of possibility. Every day a new chance for athletes to get better is unlocked. Every day a new way to make the consumer experience deeper is uncovered. Every day a new opportunity to serve our community is identified. The vast potential to innovate something amazing – not just in product, but in everything we do – is our greatest inspiration. Like athletes all over the globe, NIKE's future holds nothing but limitless potential.

Thanks,

A handwritten signature in dark ink, appearing to read 'Mark Parker', with a long, sweeping horizontal line extending to the right.

**Mark Parker**

President and Chief Executive Officer  
NIKE, Inc.

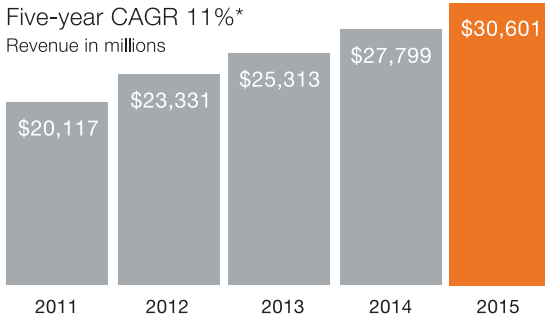
## 2015 SELECT FINANCIALS

### NIKE, Inc. Revenue Performance

Fiscal Years 2011-2015

Five-year CAGR 11%\*

Revenue in millions

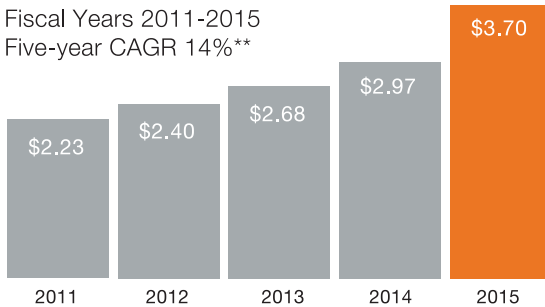


\*5-Year Compound Annual Growth Rate (CAGR) based on Fiscal Year 2010 Revenue of \$18,324 million. The revenue amounts presented reflect the results of our continuing operations.

### NIKE, Inc. Earnings Per Share Performance\*

Fiscal Years 2011-2015

Five-year CAGR 14%\*\*

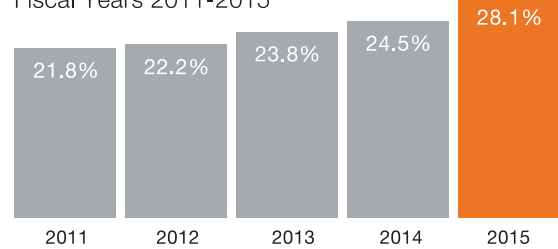


\* These amounts have been restated to reflect our December 2012 two-for-one stock split and historical results of continuing operations.

\*\* 5-Year Compound Annual Growth Rate (CAGR) based on Fiscal Year 2010 split-adjusted diluted earnings per common share of \$1.94.

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

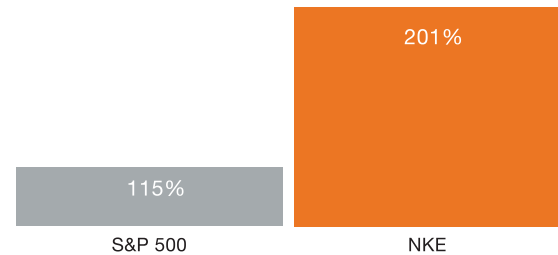
Fiscal Years 2011-2015



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

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

Fiscal Years 2011-2015



\* Performance of the S&P 500 and NIKE stock is calculated by comparing the total returns of each assuming the reinvestment of dividends over the time period of 5/31/2010 to 5/31/2015.

## **SHAREHOLDER INFORMATION**

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

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

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

## **INDEPENDENT ACCOUNTANTS**

PricewaterhouseCoopers LLP  
805 SW Broadway, Suite 800  
Portland, Oregon 97205

## **REGISTRAR AND STOCK TRANSFER AGENT**

Communications concerning shareholder address changes, stock transfers, changes of ownership, lost stock certificates, payment of dividends, dividend check replacements, duplicate mailings, or other account services should be directed to the Company's Registrar and Stock Transfer Agent at the following address:

Computershare Trust Company N.A.  
P.O. Box 30170  
College Station, TX 77842-3170  
800-756-8200  
800-952-9245 (Hearing Impaired)  
[www.computershare.com](http://www.computershare.com)