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To Our Shareholders,

There is confirmation in sports. Every day it shows us that the world is good and strong and resilient. This proof refuses the limits of geography or politics. It transcends the limits of language. Sports and the people around it bring emphasis to optimism. Sports creates opportunity for the youth of the world, and assures that the future will be, in part, shaped by the life lessons that sports teaches.

We mention this because it is central to our jobs at Nike. We are here to grow this brand and company, to create value that is tied not to a single product or athlete or ad but to the intrinsic power of sports and to the role Nike plays in that world.

This is a long-term reality. Nike was once an upstart company, loud, brash and fearless. While these traits remain in full effect, the company is different today than it was 30 years ago. Nike is now looked to as a leader in areas of corporate innovation as well as product innovation. More than the arbiter of cool, Nike is at the front of an ever-growing

global mix of sports, technology and consumer culture. There is no end in sight to this evolutionary tale, and we couldn't be more excited about that.

Each year at this time we take a snapshot of our momentum. The freeze frame for fiscal year 2003 shows Nike coming off a record year. It was, in fact, a year of many firsts, highest revenue, highest earnings per share (before accounting change), and the first time we did more business outside the USA in our 31-year history. Our \$10.7 billion in revenues represents an 8 percent increase over the previous year. Better still, we gained speed as the year progressed, with 4th quarter earnings at \$0.92, up from \$0.77 a year ago, and quarterly revenues up 11 percent. Earnings per share on the year increased 13 percent.

This is good news. The numbers represent the staying power of a brand connected to the humanity of sports in tough times. It also shows the growing power of a global

company of innovation-based subsidiaries, like Hurley, Bauer Nike Hockey, Nike Golf, Cole Haan, and soon we hope Converse.

Much of our success is a matter of high public profile. This is most obvious when it comes to Nike athletes. A year ago Lance Armstrong won his fourth consecutive Tour de France. This is four more than logic says he should have won. As this letter goes to press, Lance just completed an impossible climb up the Pyrenees after a dangerous crash just six miles from the end of the 99-mile mountain stage. Unbelievable. Will he win his fifth consecutive Tour de France? We believe he can. We hope he does. One thing is for certain. As you read this, you'll know.

In American college sports Nike dominated the BCS in football and March Madness in basketball, where 48 of 65 men's teams and 52 of the women's 64 teams were wearing the Swoosh. It's a case of perfect timing when viewed against the resurgence of licensed product sales in the U.S.

In soccer, Brazil's victory in the World Cup continues to drive momentum in our global soccer business. Our commitment to the world's most popular sport continues with new footwear, apparel and equipment sponsorships of the Mexican National Team and the Turkish Football Federation.

This is the stuff we live for.

LeBron, Carmelo, Manchester United and Juventus, these new members of the Nike family prove and promise equally great performance. Like all the great Nike athletes, we are driven by the belief that we can always be better, and that makes all the difference.

Our love for innovation drives us. Someone near you right now is wearing the Air Force One, a basketball shoe that shocked the

game 20 years ago and remains the best selling shoe in the world today. Or the Nike Shox NZ, the shoe that crystallizes the most important performance technology since Nike Air. Or the Air Zoom Spiridon with Caged Zoom Air technology. In apparel, the Nike Sphere concept of environmental control is now an established performance concept across sports categories. And we continue to evolve the way athletes see, hear and monitor their life in sports with Nike Equipment.

Our managers and employees drive Nike. Their passion for success and their ability to overcome adversity is our greatest asset. Consider some of the curve balls we saw as a company this year in the USA: a temporary closure of West Coast ports, the war in the Middle East, and a sluggish economy around the world. And there were internal issues to manage, like the ongoing global supply chain implementation, a reconfigured U.S. distribution strategy, and a stagnant golf industry flooded with excess inventory. Despite these challenges, the U.S. region delivered its highest pretax profits in Nike history.

Our international business exceeded that of the U.S. for the first time, delivering 16 percent revenue growth over last year. In our Europe/Middle East/Africa (EMEA) region, revenues increased 20 percent, with 15 points of growth coming from favorable exchange rates. EMEA has been our most consistent growth performer over the last five years, and this year's \$3.2 billion finish was its best ever.

In our Asia Pacific region, revenues increased 19 percent. While five points of the full-year increase came from favorable exchange rates, we earned most of the increase the old-fashioned way: selling more product. Footwear reported a 14 percent increase, apparel 24 percent and equipment 29

percent. Revenues advanced in nearly every country in the region.

In the Americas region, despite a 15 point decline in exchange rates and an incredibly volatile political and economic environment, revenues decreased a mere 7 percent. More notable than their survival is the momentum the Nike team in the Americas was able to achieve in the fourth quarter, with increases in footwear, apparel and overall revenues.

On a personal level, the belief that ours is a worthy purpose motivates us. We are grateful to be a part of this company and this industry. And, we believe that Nike can positively affect the world we all live in.

This fiscal year we have much to do. Global economics and politics will continue to challenge every company of our size and reach. Our competitors are moving quickly and aggressively. The consumer continues to challenge us and our competition for new innovative product. We can be better in every facet of our business as we continue to learn more everyday. We will deliver. And, we will continue to learn more everyday about what it means and what it takes to be a great global company.

As we lean into these challenges, we are confident because we have what no one else has, the people of Nike. And, because we have what everyone else has, the love of sports.

Thanks,

 

Mark G. Parker,

Charles D. Denson

Presidents, Nike Brand

