

**USAGE FINANCIAL ACCOUNTING TOOLS FOR EVALUATION OF
FINANCIAL POSITION AND PERFORMANCE OF NIKE INC COMPANY
ON GLOBAL SCALE**

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Bachelor Thesis
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Conduct a financial position and performance analysis
Make possible recommendations for improving the financial management system

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Financial Valuation: applications and models / James R. Hitchner;

Corporate Finance / Stephen A. Ross, Randolph W. Westwrfield, Jeffrey Jaffe;

Principles of Corporate Finance / Richard A. Brealey, Stewart C. Myers

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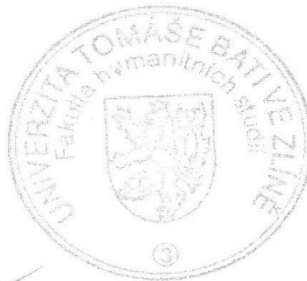
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ABSTRAKT

Czech abstract

Tato bakalářská práce se zabývá finanční analýzou firmy Nike, Inc jako celek. Cílem práce je analýza informací firmou Nike, Inc na základě finančních dat z roku 2006-2008. V práci se zaměřím na doporučení několik návrhů, který by mohli vést ke zlepšení ekonomiky firmy. Práce je rozdělena do tří částí, obsahuje teoretickou část, analýzu a ohodnocení, závěr a vlastní doporučení. V teoretické části jsou popsány cílem firmy, uživatelé, zdroje, nástroje a metody finanční analýzy. V druhé sekci analýzy a ohodnocení se provádí analýzu finančních dat pomocí vertikální a horizontální nástroj, čistý pracovní kapitál ukazatel finanční analýzy. Data byly převzaty z výkazu zisku firmy. V závěru je shrnutí všech dat z předchozích částí do obecném a přes těchto informací poskytuje doporučení ke zlepšení ekonomiky.

Klíčové slovo: Vertikální a horizontální analýza, čistý pracovní kapitál ukazatel finanční analýzy, vykonání zhodnocení.

ABSTRACT

English abstract

This Bachelor thesis deals with the financial Analysis of NIKE, INC on whole global scale. This Thesis is aim to provide, analysis information as well as evaluate NIKE, INC performance base on its Financial data of fiscal years from 2006– 2008. Through the work, the thesis tries to give recommendation some proposals which might lead to company's economic improvements on the basic point of view.

This thesis will be divided into three parts, which including theoretical part, analytical and evaluating part, and conclusion and recommendation part. In the theoretical part, an aim, users, sources, tools and methods of financial analysis are described. In analytical and evaluating part, the company's financial data from company financial statement will be analyzed by the tools as vertical, horizontal, net working capital and ratio analysis the same time with this work, the company's performance is evaluated base on these analysis ratios. In the conclusion and recommendation part, the thesis will make all the information of previous parts into the general point of view as conclusion and through that give recommendation to the company's economic improvement.

Keywords: Vertical and horizontal analysis, net working capital analysis, ratios analysis and performance evaluation.

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DECLARATION OF ORIGINALITY

I hereby declare that the work presented in this thesis is my own and certify that any secondary material used has been acknowledged in the text and listed in the bibliography.

May 11, 2009

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I. INTRODUCTION

Recently, when the world has been influencing by the financial crisis and economic regression, which certainly impact to almost companies in the world especially which companies are from United State because this is the biggest economics of the world and the place where was origin of global crisis that has been happening currently. In this thesis, I deal with financial analysis of Nike Inc, one of most famous company of the United States in particular and of the world in general. I chose Nike to write this thesis because i am interested in this company by their innovation, creation and intelligent of their organization structures and their business activities which I was known from the lectures and lessons from my professors, this is my most favorite company.

In this analysis of Nike International Company, I try to create a picture of company financial position base on its liquidity, profitability and Solvency since then evaluation about company performance will be done on the financial point of view. Through the work, the financial statements have the most important role including (Balance sheet, Income Statement, Statement of Cash flow) during three years from 2006 to 2008. In this Analysis, it is also including comparison with two big Nike's competitors in the market Puma and Adidas for illustration and comparison purposes, however the comparison is restricted because there are some difference among these companies of accounting period, Nike end year report on 31.05 while Puma and Adidas on 31.12 on the other hand, the period of time from 31.5.2008 to 31.12. 2008 was the time when United States and whole the world was strongly influenced by financial crisis therefore I deal with the comparison among these companies with the financial data in 2007 as intercompany comparison method, and beside that I deal with also the Nike financial data through the years 2006 – 2008 as intra-company comparison method.

II.

THEORY

1 CHARACTERISTICS OF FINANCIAL ACCOUNTING TOOLS FOR EVALUATION OF FINANCIAL POSITION AND PERFORMANCE

The work of evaluation one company financial position and performance is the process of dealing with financial data of that company therefore the financial statements are the fundamental tools for process, beside of that are the factors which may be impact to data in the financial statements and will be described below:

I.1 Financial statements as the tools for analysis

Financial statements are the financial documents of company which are the picture of company financial situation in the specific of time, base on these documents, company internal entities can manage their financial resources, operation activities and its efficiency... on the other hand, financial statement can help other entities from outside company observe, evaluate company financial power and ability since then they can made investment decision, or check for tax impose purpose from government agencies.

Financial statement includes:

Balance sheet - is a summary of company's financial condition at the specific point of time, it is one of important document of financial statements. It presents company assets on the balance of liabilities and shareholder's equity following this formula:

$$\text{Assets} = \text{Liabilities} + \text{Shareholder Equity}$$

Income statement: this is a report of company's financial performance. It shows how profitable the company has been over specific period of time. Income statements can help investors and creditors determine the past performance of the enterprise, predict future performance, and assess the capability of generating future cash flows.

Statement of cash flow: is one of documents of financial statement, it shows the changes in cash outflow and inflow of company at specific accounting period, and this affects in operating, financing and investing activities.

Comparison tools for evaluating financial performance.

Financial information for comparison:

- Internal financial comparison (past, current ratios)
- Industrial sector comparison
- Competitors comparison

I.2 Factors that impact to financial statement

- Inflation and disinflation effects: this drives to fluctuation in price and corporate profit, when sales revenue is stated in current dollars while assets like plant and equipment are stated as historical costs, this can distort financial ratios
- Currency fluctuation: especially impact to multi-national companies when their business activities happened in many countries, and they deal with various currencies therefore currency exchange rate fluctuations could result in higher costs and decreased margins.
- Other effects: the differences in reporting revenue, different methods of inventory accounting and extraordinary gains and losses can also impact financial ratios
- Global economic crisis: this phenomenon has been happening recently, especially form 2008, first in US then spread to whole around the world. Its consequences are the effect of high increase inflation in many countries, fluctuation of currency foreign exchange rate, economic regression on global scale... and certainly it impacts companies to negative sense not only at financial accounting point of view but also on sides of economic in general.

I.3 Who care to evaluation of financial accounting report?

The objectives evaluating of financial accounting report are various according to the financial statement users and specific question that are addressed by the analysis of the financial statements data.

- **Creditors:** are lenders of fund to a company with a promise of repayment of their fund with interest by many forms and for variety purposes. Below are some kinds of Creditors. (5)

- Trade creditors: provide goods or services to a company and expect payment within a reasonable period.
 - Nontrade creditors provide financing to a company in return for a promise, usually in writing, of payment with interest on specific future dates.
- **Investors:** are providers of funds to a company in return for the risks, uncertainties, and rewards of ownership. Investors are major provider of most business financing, they are entitled to distributions only after the claims of seniors to securities are met – equity investors have a residual interest. (5)
 - **Managers** – consist of those individuals hired by the company’s owners to effectively and efficiently manage assets and liabilities. They are interested in company’s financial condition, profitability, and future possibilities. the managers must consider all questions related to investors and creditors but also managers must also consider its employees, the general public, regulators, and the financial press.
 - **Auditors** – are outsiders who examine and provide assurance that financial statements are prepared in accordance with accepted practices. (5)
 - **Directors** – are elected representatives of shareholders who oversee their interests on the company. This representation typically involves oversight of dividend policy, establishing management compensation or incentive programs, hiring and firing of management and external auditor, and setting company goals. Because of director’s responsibilities to shareholders, they should be vigilant overseers of the company’s business activities. They have to understand and appreciate of financing, investing, and operating activities. (5)
 - **Merger and Acquisition Analysts** – are individuals interested in valuing a company for purchase or Merger with one or more other entities. This task is to determine economic value, the relative worth of merging entities. (5)
 - **Regulators** – are those with authority or significant influence over rules guiding the preparation of financial statements. Government agencies and politicians have both the authority over and demand for financial statement information on the purpose of tax return, check the reasonableness of reported amount or measure and perceive market needs, or lack thereof. (5)
 - **Shareholders** – the interest of this party in financial statement information lies in the fact that their money is invested in the firm. They would like to ensure that they are

getting the good return on their investment, profit growth and good dividend as well as market share growth. (5)

- **Bank / Loan companies** – this group is interested in firm's profitability and repay ability with interest, they would use more ratios analysis base on profitability and liquidity of firm. (5)
- **Employees.** This group is a part of company, they are interested in assessing the fairness of their wages and their future employment prospects. (5)
- **Suppliers:** they would like to investigate a company's financial soundness prior to making sales on credit because they care to timely payments of accounts due. (5)
- **Customers:** they care to company's profitability or staying power of their suppliers, the supplier's return or company's responsibility. (5)
- **Competitors:** including existing and potential competitors, are the other companies who do in the same field on the market, they care to company financial as a source to observe, determine the rival companies power on the market therefore they can set up appropriate plan or strategy for competition. (5)

2 FINANCIAL STATEMENTS ANALYSIS AS THE METHOD OF EVALUATION FINANCIAL POSITION AND PERFORMANCE

Financial statements analysis: is the process of dealing with financial data from financial statements as judgmental method. The purposes of these processes are to take overall picture of the company's financial position and performance, base on the data relationship and ratio analysis.

2.1 Vertical and Horizontal analysis

This method works on the Balance sheet and income statement by the steps of vertical and horizontal analysis which compares the financial data on the common-size and trend follow period to period relationship of percentage.

2.1.1 Vertical analysis:

Vertical analysis or common size analysis is the step of compare for evaluating financial data. This step shows us the size on percentage of every item in financial statement that compare with base amount which are chosen as total assets of balance sheet, or revenue from income statement. (6)

2.1.2 Horizontal analysis

This technique is also known as comparative analysis. It is conducted by setting consecutive balance sheet, income statement side-by-side and reviewing changes in individual categories on a year-to-year or multiyear basis. The most important item revealed by comparative financial statement analysis is trend. A comparison of statements over several years reveals direction, speed and extent of a trend. The horizontal financial statements analysis is done by restating amount of each item or group of items as a percentage. (6)

2.2 Net working capital

Net working capital or operating capital is a financial metric which represents operating liquidity available to a business following the formula below:

$$\textit{Net working capital} = \textit{Current assets} - \textit{Current liabilities}$$

If a company has current assets less than current liabilities, this means company has negative net working capital and unable to meet its short-term liabilities and face to bankrupt situation.

Net working capital represents the real company financial power in operating activities in short term.

2.3 Ratios analysis

Ratio analysis expresses the relationship among selected items of financial statement data. A ratio expresses the mathematical relationship between one quality and another. The relationship is expressed in the terms of either a percentage, a rate, or a simple proportion.

2.3.1 Liquidity ratios

Liquidity ratios measure the short-term ability of the firm to pay its maturing obligations and to meet unexpected needs for cash.

2.3.1.1 Current ratio

Current ratio is to determine whether a company's short-term assets (cash, cash equivalents, marketable securities, receivables and inventory) are readily available to pay off its short-term liabilities (notes payable, current portion of term debt, payables, accrued expenses and taxes).

(7)

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

2.3.1.2 Quick ratio

Quick ratio is a liquidity indicator that further refines the current ratio by measuring the amount of the most liquid current assets there are to cover current liabilities. The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. Therefore, a higher ratio means a more liquid current position. (7)

$$\text{Quick ratio} = \frac{\text{Cash} + \text{short term investmens} + \text{accounts receivable}}{\text{Current liabilities}}$$

2.3.1.3 *Current cash debt coverage ratio*

The cash ratio is an indicator of a company's liquidity that further refines both the current ratio and the quick ratio by measuring the amount of cash. It measures short-term debt paying ability. (6)

$$\text{Current cash debt coverage ratio} = \frac{\text{Net cash provided by operating activities}}{\text{Average current liabilities}}$$

2.3.1.4 *Receivable turnover*

If inventory answers the question how fast a firm sell product then the receivable turnover answers the question how fast the firm collects the money from those sales. The receivable measures the efficiency of the firm in managing outstanding credit accounts of sales during the specific period of time. (6)

$$\text{Receivable turnover} = \frac{\text{Revenue}}{\text{Average net receivables}}$$

2.3.1.5 *Inventory turnover*

This measures the liquidity of a firm's inventory and the efficiency of the firm in managing and selling it inventory during the specific period of time. The high turnover is the better up to the production and supplying capacity of firm. (6)

$$\text{Inventory turnover} = \frac{\text{Revenue}}{\text{Average inventory}}$$

2.3.2 **Profitability ratios**

Profitability ratios measure the income or operating success of an enterprise for a given period of time. It also effects to the company's performance and the company's ability to grow.

2.3.2.1 *Profit margin ratio*

It is the amount of profit (at the gross, operating, pretax or net income level) generated by the company as a percent of the sales generated. The objective of margin analysis is to detect consistency or positive/negative trends in a company's earnings. Positive profit margin analysis

translates into positive investment quality. To a large degree, it is the quality, and growth, of a company's earnings that drive its stock price. (7)

$$\text{Profit margin} = \frac{\text{Net income}}{\text{Net sales}}$$

2.3.2.2 *Cash return on sales*

This ratio will show us that the percentage of net cash from operating activities obtain from the sales. This ratio is calculated by dividing net cash from operating activities by net sales. (6)

$$\text{Cash return on sales} = \frac{\text{Net cash provided by operating activities}}{\text{Net sales}}$$

2.3.2.3 *Return on assets*

This ratio indicates how profitable a company is relative to its total assets. The return on assets (ROA) ratio illustrates how well management is employing the company's total assets to make a profit. The higher the return, the more efficient management is in utilizing its asset base. (7)

$$\text{Return on assets} = \frac{\text{Net income}}{\text{Average assets}}$$

2.3.2.4 *Return on equity*

This ratio indicates how profitable a company is by comparing its net income to its average shareholders' equity. The return on equity ratio (ROE) measures how much the shareholders earned for their investment in the company. The higher the ratio percentage, the more efficient management is in utilizing its equity base and the better return is to investors. (7)

$$\text{Return on Equity} = \frac{\text{Net income}}{\text{Average shareholder's Equity}}$$

2.3.2.5 *Asset turnover*

This ratio measures how efficiently company uses its assets to generate sales in comparison with Puma and Adidas. It is determined by dividing net sales by average assets. (6)

$$\text{Assets turnover} = \frac{\text{Net sales}}{\text{Average assets}}$$

2.3.3 **Solvency ratios**

Solvency ratios measure the ability of the company to survive over a long period of time.

2.3.3.1 *Debt to total assets ratio*

Debt to total assets measures the percentage of total assets provided by creditors. This ratio indicates the company's degree of leverage. It also provides some indication of the company's ability to withstand losses without impairing the interests of creditors. (7)

$$\text{Debt to total assets} = \frac{\text{Total debt}}{\text{Total assets}}$$

2.3.3.2 *Debt-Equity Ratio*

The debt-equity ratio is another leverage ratio that compares a company's total liabilities to its total shareholders' equity. This is a measurement of how much suppliers, lenders, creditors and obligors have committed to the company versus what the shareholders have committed. (7)

$$\text{Debt – Equity ratio} = \frac{\text{Total liabilities}}{\text{Shareholders' Equity}}$$

2.3.3.3 *Times Interest earned*

The interest coverage ratio is used to determine how easily a company can pay interest expenses on outstanding debt or ability to meet interest payments as they come due. The lower the ratio, the more the company is burdened by debt expense. (6)

$$\text{Times interest earned} = \frac{\text{Earnings before interest and taxes (EBIT)}}{\text{Interest expense}}$$

2.3.3.4 *Cash Flow to Debt Ratio*

This coverage ratio compares a company's operating cash flow to its total debt, which, for purposes of this ratio, is defined as the sum of short-term borrowings, the current portion of long-term debt and long-term debt. This ratio provides an indication of a company's ability to cover total debt with its yearly cash flow from operations. The higher the percentage ratio is the better the company's ability to carry its total debt. (7)

$$\text{Cash flow to debt ratio} = \frac{\text{Operating cash flow}}{\text{Total Debt}}$$

2.3.4 Other ratios

2.3.4.1 *Price/ Earnings ratio (P/E)*

The price/earnings ratio (P/E) is the best known of the investment valuation indicators. The P/E ratio has its imperfections, but it is nevertheless the most widely reported and used valuation by investment professionals and the investing public. (7)

$$\text{Price / Earnings ratio} = \frac{\text{Stock price per share}}{\text{Earnings per share}}$$

2.3.4.2 *Earning per share (EPS)*

This ratio aims to measure net income earned in each share of common stock. It provides a useful perspective for determining profitability. (6)

$$\text{EPS} = \frac{\text{Net income}}{\text{Weighted average common shares outstanding}}$$

2.3.4.3 *Payout ratio*

This ratio identifies the percentage of earnings (net income) per common share allocated to paying cash dividends to shareholders. The dividend payout ratio is an indicator of how well earnings support the dividend payment. (7)

$$\text{Payout ratio} = \frac{\text{Cash dividend}}{\text{Net income}}$$

2.3.5 **Du Pont analysis**

Du Pont analysis is a method of performance measurement that was started by the DuPont Corporation in the 1920s. With this method, assets are measured at their gross book value rather than at net book value in order to produce a higher return on equity (ROE). It is also known as "DuPont identity".

DuPont analysis tells us that ROE is affected by three things:

- Operating efficiency which is measured by profit margin
- Asset use efficiency, which is measured by total asset turnover
- Financial leverage, which is measured by the equity multiplier

$$\text{ROE} = \frac{\text{Net income}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Assets}} \times \frac{\text{Assets}}{\text{Equity}}$$

ROE = Profit Margin (Profit/Sales) * Total Asset Turnover (Sales/Assets) * Equity Multiplier (Assets/Equity)

$$\begin{aligned}
 \text{ROE} &= \text{Profit Margin} \times \text{Asset Turnover} \times \text{Equity Multiplier} \\
 \text{ROE} &= \frac{\text{Net income}}{\text{Total revenue}} \times \frac{\text{Total revenue}}{\text{Average assets}} \times \frac{\text{Average assets}}{\text{Average equity}} \\
 \text{ROE} &= \boxed{\frac{\text{Net income}}{\text{Total revenue}}} \times \boxed{\frac{\text{Total revenue}}{\text{Average equity}}} \\
 &\quad \text{Operational Efficiency} \qquad \text{Capital Efficiency}
 \end{aligned}$$

Figure 1. ROE – Du Pont system (11)

ANALYSIS

CHARACTERISTICS OF NIKE INC

Nike Inc. was incorporated in 1968 under the laws of the state of Oregon, USA. The general business activities can be described as follows: design, development, and global marketing of high quality footwear, equipment and accessory products. (8)

Headquarters

Nike's world headquarters are surrounded by the city of Beaverton, Oregon but are technically within unincorporated Washington County

Main products

- Athletic Apparel
- Athletic footwear
- Sport equipments and accessories

Manufacturing

Nike has contracted with more than 700 shops around the world and has offices located in 45 countries outside the United States. Most of the factories are located in Asia, including Indonesia, China, Taiwan, India, Thailand, Vietnam, Pakistan, Philippines, and Malaysia. Nike is hesitant to disclose information about the contract companies it works with.

Market share:

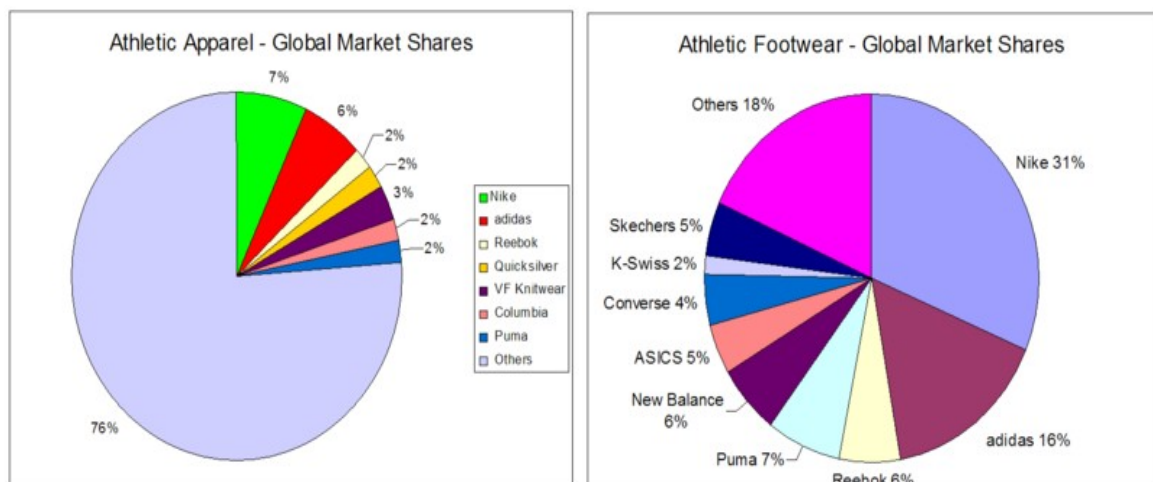


Figure2. Athletic footwear and apparel market share in 2007 (9)

Key Value: "Ultimate Victory"

When P. Knight and B. Bowerman created Nike, they decided to create a company to win, for the "ultimate victory". This idea has been influencing Nike (the Greek Goddess of Victory) every day.

Company relationship:

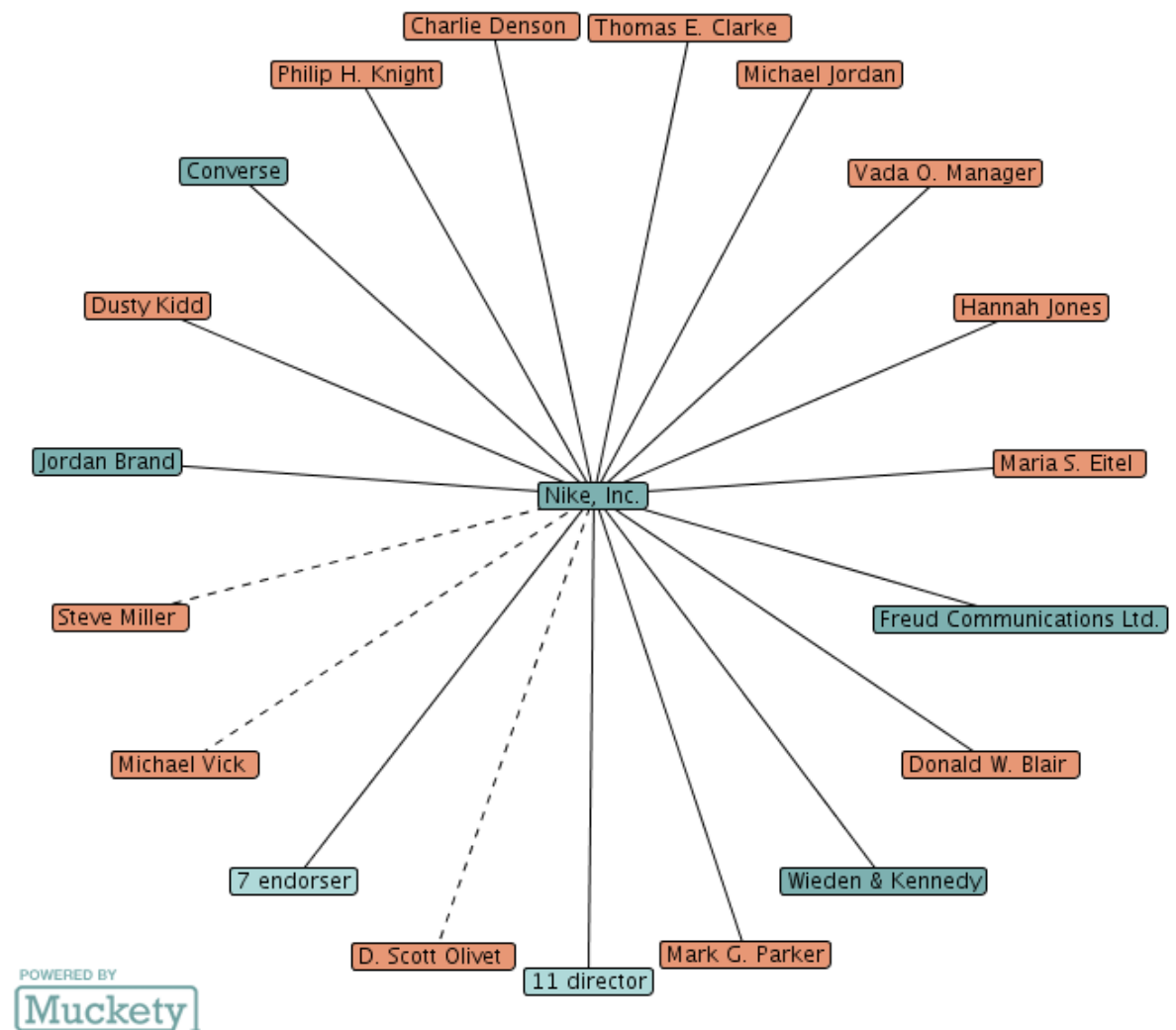


Figure3. Nike Inc relationship (12)

Executive officers of Registrant

- **Philip H. Knight** - Chairman & co-founder
- **Mark G. Parker** - President & CEO
- **David J. Ayre** - Vice president, Global human resouces

- **Thomas E. Clarke** - President of new business ventures
- **Charlie Denson** - President, Nike Brand
- **Vada O. Manager** - Director of global issues management
- **Donald W. Blair** - Vice President & CFO
- **Maria S. Eitel** – Vice President
- **Hannah Jones** – Vice President
- **Dusty Kidd** – Vice President
- **11 directors and 7 endorser**

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IKE INC SWOT ANALYSIS (10)

	S W
<ul style="list-style-type: none"> - Nike is a very competitive organization - Nike has no factories, this makes a very lean organization - Strong at research and development for innovation - Nike is a global brand. It is the number one sports brand in the World. 	<ul style="list-style-type: none"> - The organization does have a diversified range of sports products - The retail sector is very price sensitive
	O T
<ul style="list-style-type: none"> - Product development offers Nike many opportunities - There is also the opportunity to develop products such as sport wear, sunglasses and jewelry. Such high value items do tend to have associated with them, high profits - The business could also be developed internationally, building upon its strong global brand recognition. There are also global marketing events that can be utilized to support the brand such as the World Cup (soccer) and The Olympics. 	<ul style="list-style-type: none"> - Nike is exposed to the international nature of trade. It buys and sells in different currencies and so costs and margins are not stable over long periods of time. Such an exposure could mean that Nike may be manufacturing or selling at a loss. - The market for sports shoes and garments is very competitive, competitors are developing alternative brands to take away Nike's market share - The retail sector is becoming price competitive. This ultimately means that consumers are shopping around for a better deal

METHODS

As the described in theoretical part, the methods to evaluate Nike Inc financial position and performance are based on Nike financial analysis. Through the processes the analysis will work on the Nike Inc financial statements from the period 2006 – 2008, beside of this processes, the comparison method might be done with their main competitors Adidas and Puma in some ratios or features for illustration purpose, however the annual fiscal year of Nike financial report is on 31.5 while Adidas or Puma is on 31.12 therefore the comparison might be in relatively or collaterally.

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Vertical and Horizontal Analysis

Vertical and horizontal analysis of balance sheet

	2006		2007		2008	
	Mil USD		Mil USD		Mil USD	
Total assets	9,869.60	100.00 %	10,688.30	100.00 %	12,442.70	100.00%
Current Assets						
Cash and equivalents	954.20	9.67%	1,856.70	17.37%	2,133.90	17.15%
Short-term investments	1,348.80	13.67%	990.30	9.27%	642.20	5.16%
Accounts receivable, net	2,382.90	24.14%	2,494.70	23.34%	2,795.30	22.47%
Inventories	2,076.70	21.04%	2,121.90	19.85%	2,438.40	19.60%
Deferred income taxes	203.30	2.06%	219.70	2.06%	227.20	1.83%
Prepaid expenses and other current assets	380.10	3.85%	<u>393.20</u>	3.68%	<u>602.30</u>	4.84%
Total current assets	7,346.00	74.43%	8,076.50	75.56%	8,839.30	71.04%
Property, plant and equipment, net	1,657.70	16.80%	1,678.30	15.70%	1,891.10	15.20%
Identifiable intangible assets, net	405.50	4.11%	409.90	3.84%	743.10	5.97%
Goodwill	130.80	1.33%	130.80	1.22%	448.80	3.61%
Deferred income taxes and other assets	329.60	3.34%	<u>392.80</u>	3.68%	<u>520.40</u>	4.18%
Total liabilities and shareholders' equity	9,869.60	100.00 %	10,688.30	100.00 %	12,442.70	100.00%
Current liabilities						
Current portion of long-term debt	255.30	2.59%	30.50	0.29%	6.30	0.05%
Notes payable	43.40	0.44%	100.80	0.94%	177.70	1.43%
Accounts payable	952.20	9.65%	1,040.30	9.73%	1,287.60	10.35%
Accrued liabilities	1,276.00	12.93%	1,303.40	12.19%	1,761.90	14.16%
Income taxes payable	85.50	0.87%	<u>109.00</u>	1.02%	<u>88.00</u>	0.71%
Total current liabilities	2,612.40	26.47%	2,584.00	24.18%	3,321.50	26.69%
Long-term debt	410.70	4.16%	409.90	3.84%	441.10	3.55%
Deferred income taxes and other liabilities	561.00	5.68%	668.70	6.26%	854.50	6.87%
Redeemable Preferred Stock	0.30	0.00%	0.30	0.00%	0.30	0.00%
Shareholders' equity						

Class A convertible - shares outstanding	0.10	0.00%	0.10	0.00%	0.10	0.00%
Class B - shares outstanding	2.70	0.03%	2.70	0.03%	2.70	0.02%
Capital in excess of stated value	1,447.30	14.66%	1,960.00	18.34%	2,497.80	20.07%
Accumulated other comprehensive income	121.70	1.23%	177.40	1.66%	251.40	2.02%
Retained earnings	4,713.40	47.76%	4,885.20	45.71%	5,073.30	40.77%
Total shareholders' equity	6,285.20	63.68%	7,025.40	65.73%	7,825.30	62.89%

Table 1. Vertical analysis of balance sheet – Nike Inc

	2006 Mil USD	2007 Mil USD	2008 Mil USD	07/06	08/07	08/06
Total assets	9,869.60	10,688.30	12,442.70	8.30%	16.41%	26.07%
Current Assets						
Cash and equivalents	954.20	1,856.70	2,133.90	94.58%	14.93%	123.63%
Short-term investments	1,348.80	990.30	642.20	-26.58%	-35.15%	-52.39%
Accounts receivable, net	2,382.90	2,494.70	2,795.30	4.69%	12.05%	17.31%
Inventories	2,076.70	2,121.90	2,438.40	2.18%	14.92%	17.42%
Deferred income taxes	203.30	219.70	227.20	8.07%	3.41%	11.76%
Prepaid expenses and other current assets	380.10	393.20	602.30	3.45%	53.18%	58.46%
Total current assets	7,346.00	8,076.50	8,839.30	9.94%	9.44%	20.33%
Property, plant and equipment, net	1,657.70	1,678.30	1,891.10	1.24%	12.68%	14.08%
Identifiable intangible assets, net	405.50	409.90	743.10	1.09%	81.29%	83.26%
Goodwill	130.80	130.80	448.80	0.00%	243.12%	243.12%
Deferred income taxes and other assets	329.60	392.80	520.40	19.17%	32.48%	57.89%
Total liabilities and shareholders' equity	9,869.60	10,688.30	12,442.70	8.30%	16.41%	26.07%
Current liabilities						
Current portion of long-term debt	255.30	30.50	6.30	-88.05%	-79.34%	-97.53%
Notes payable	43.40	100.80	177.70	132.26%	76.29%	309.45%
Accounts payable	952.20	1,040.30	1,287.60	9.25%	23.77%	35.22%
Accrued liabilities	1,276.00	1,303.40	1,761.90	2.15%	35.18%	38.08%
Income taxes payable	85.50	109.00	88.00	27.49%	-19.27%	2.92%
Total current liabilities	2,612.40	2,584.00	3,321.50	-1.09%	28.54%	27.14%
Long-term debt	410.70	409.90	441.10	-0.19%	7.61%	7.40%
Deferred income taxes and other liabilities	561.00	668.70	854.50	19.20%	27.79%	52.32%
Redeemable Preferred Stock	0.30	0.30	0.30	0.00%	0.00%	0.00%
Shareholders' equity						
Class A convertible - shares outstanding	0.10	0.10	0.10	0.00%	0.00%	0.00%
Class B - shares outstanding	2.70	2.70	2.70	0.00%	0.00%	0.00%
Capital in excess of stated value	1,447.30	1,960.00	2,497.80	35.42%	27.44%	72.58%

Accumulated other comprehensive income	121.70	177.40	251.40	45.77%	41.71%	106.57%
Retained earnings	4,713.40	4,885.20	5,073.30	3.64%	3.85%	7.64%
Total shareholders' equity	6,285.20	7,025.40	7,825.30	11.78%	11.39%	24.50%

Table.2 Horizontal analysis of balance sheet – Nike Inc

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Vertical and horizontal analysis of income statement

	2006 Mil USD		2007 Mil USD		2008 Mil USD	
Revenues	14,954.90	100.00%	16,325.90	100.00%	18,627.00	100.00%
Cost of sales	8,367.90	55.95%	9,165.40	56.14%	10,239.60	54.97%
Gross margin	6,587.00	44.05%	7,160.50	43.86%	8,387.40	45.03%
Selling and administrative expense	4,477.80	29.94%	5,028.70	30.80%	5,953.70	31.96%
Interest income, net	36.80	0.25%	67.20	0.41%	77.10	0.41%
Other (expense) income, net	-4.40	-0.03%	0.90	0.01%	-7.90	-0.04%
Income before income taxes	2,141.60	14.32%	2,199.90	13.47%	2,502.90	13.44%
Income taxes	749.60	5.01%	708.40	4.34%	619.50	3.33%
Net income	1,392.00	9.31%	1,491.50	9.14%	1,883.40	10.11%

Table3. Vertical analysis of income statement - Nike Inc

	2006 Mil USD	2007 Mil USD	2008 Mil USD	2007/2006	2008/2007	2008/2006
Revenues	14,954.90	16,325.90	18,627.00	9.17%	14.09%	24.55%
Cost of sales	8,367.90	9,165.40	10,239.60	9.53%	11.72%	22.37%
Gross margin	6,587.00	7,160.50	8,387.40	8.71%	17.13%	27.33%

Selling and administrative expense	4,477.80	5,028.70	5,953.70	12.30%	18.39%	32.96%
Interest income, net	36.80	67.20	77.10	82.61%	14.73%	109.51%
Other (expense) income, net	-4.40	0.90	-7.90	120.45%	-977.78%	-79.55%
Income before income taxes	2,141.60	2,199.90	2,502.90	2.72%	13.77%	16.87%
Income taxes	749.60	708.40	619.50	-5.50%	-12.55%	-17.36%
Net income	1,392.00	1,491.50	1,883.40	7.15%	26.28%	35.30%

Table4. Horizontal analysis of income statement – Nike Inc

Vertical:

As we can see the tables above, Current assets occupy large amount 74,43% in 2006, 75.56% in 2007 and 71.04% in 2008, while fixed assets is as approximately 1/4 in total assets, this is quite clear because Nike is an international company but the manufacturing activities mainly by the contract to do outwork for Nike by manufacturers in developing countries such as Vietnam, Indonesia, Korea...etc the company headquarter in US mainly concentrate on researching, marketing, operating activities... therefore actually Nike almost does not have manufacturers or factories. This lead to the current assets are always high and reducing in productive expenses, quite high in marketing expenses or selling and administrative expenses, 29,94% 2006, 30.84% in 2007, and 31.96% in 2008, but profit margin is quite high because the reducing in production expense

Horizontal:

According to the results above, we can see some ratios such as Cash and equivalents, Account receivables, inventories, prepaid expense and other current assets strongly increased, this can be understandable when we look at income statement, Revenue strongly increased 9.17% to 24.55% in next year or profit margin in 8.71% to 27.33%... this means the increasing in some ratios of balance sheet which caused from the effective in operating activities of Nike in year 2008, Nike's Business was in good performance following the time. The positive performance in business was illustrated also in Nike's Assets, where current assets and total assets also strongly increased by purchasing property, plant equipments (increased from 1.24% to 24.08%). However, besides the increasing in positive ratios, some negative ratios related to liabilities also.

et working capital

Million USD	2006	2007	2008
NWC	4,733.60	5,492.50	5,517.80

Table5. Net working capital – Nike Inc

The table tells that Nike always has positive Net working capital and this numbers is always increased following time, this means company has good financial condition of liquidity, this indicates Nike's current assets is much higher than the current liabilities. This helps Nike can be in initiative situation for their operation activities or short term needed of capital.

atio analysis

In this part, the analysis might be compared some Nike's ratios with its two main competitors on the same sector which I chose Adidas and Puma, however these companies have different fiscal year end of report, while Nike's fiscal annual is on 31.05 but Adidas and Puma is on 31.12, therefore the comparison is just relative manner. Moreover, the period of time between 31.05.2008 to 31.12.2008 disparity period of those companies fiscal year is the time when global economics was highly impacted by the financial crisis and economics regression, that why I chose the data of 2007 of Adidas and Puma to compare in some ratios of this analysis part.

liquidity ratios

	2006	2007	2008	Puma 2007	Adidas 2007
1. Current Ratio	2.81	3.13	2.66	2.31	1.70
2. Acid Ratio	1.79	2.07	1.68	1.69	0.76
3. Current Cash Debt Coverage Ratio	72%	72%	66%	54%	34%
4. Receivable Turnover	6.47	6.69	7.04	6.22	7.17
5. Inventory Turnover	7.69	4.37	4.49	3.07	3.35

Table6. Liquidity ratios – Nike Inc

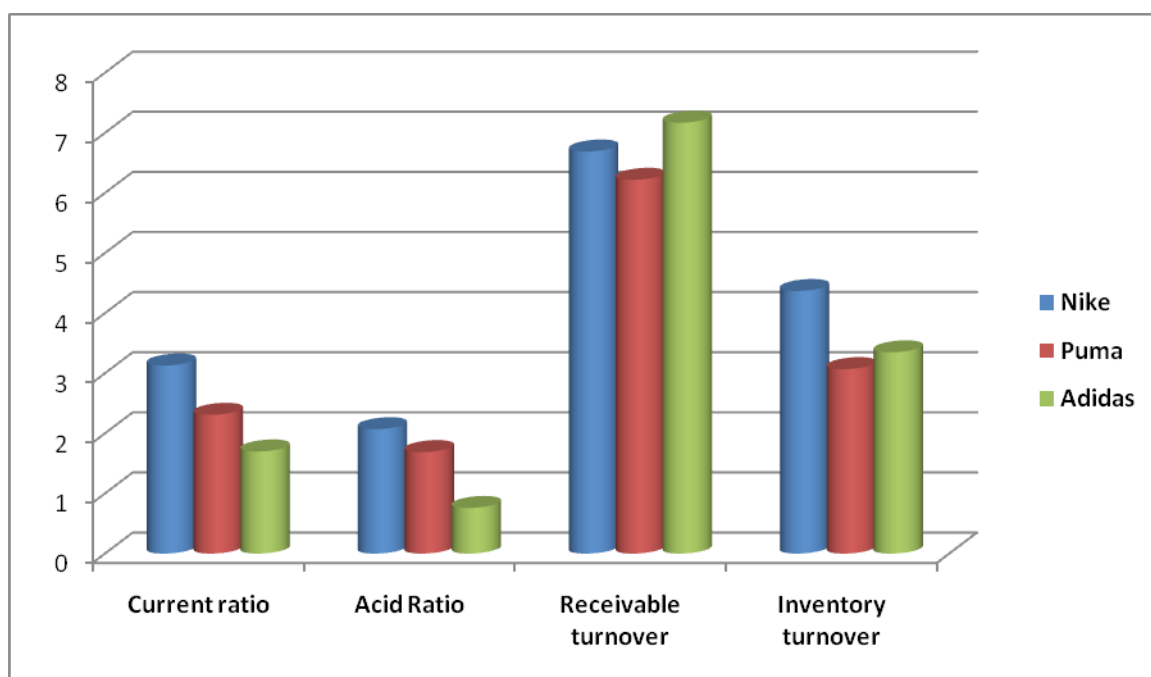


Figure4. Liquidity ratios 2007

Current ratio: Nike's current ratio is 3.13 in 2007 compare with 2.31 of Puma and 1.70 of Adidas. This means Nike has better condition in liquidity and short-term payable ability. Nike is in the best position.

This ratio was strongly increased from 2006 to 2007, but it was decreased to 2.67 in 2008 because existing payable and income tax by the increasing in production and net income which will be paid in short term

Acid ratio: shows that the immediately paying ability of Nike is in the best 2.07 compares with Puma 1.69 and Adidas 0.76. This means Nike can pay immediately for current obligations as 2.07 times in 2007, this is good ratio for a company. This ratio strong increased in 2007 but decreased by the same cause with Current ratio mentioned above.

Current cash debt coverage ratio: Nike is also is in the best for this ratio, company ratio in 2007 is 0.72 while Puma 0.54 and 0.34 with Adidas, this means Net cash from operating activities of Nike can cover 72% of its current liabilities, which is very good financial condition.

Receivable turnover: Nike can collect the receivable more quickly than Puma but slower than Adidas in 2007, with ratio 6.70 Nike can collect the money in $365/6.7 =$ approximately 55 days while this number is 59 days for Puma and 51 days for Adidas. This can be understandable because Nike's major market is US where the credit system is more popular than compare with European market of Adidas and Puma, moreover with the larger amount in Revenue can be explained for this numbers.

Inventory turnover: Nike can sell their inventory during $365/4.37 =$ approximately 84 days while the number of Puma is 119 days and 109 days with Adidas therefore the Nike liquidity of inventory is in the best compare with two main competitors.

Evaluation: Through these Ratios we can see that Nike has very good ratios in liquidity analyze, it is always in the best compare with 2 main competitors. This can be explained by the abundant capital and optimistic data from business in the market and administration. It shows us that why Nike is always in the best in the global athletic footwear and apparel market, however Nike should to improve to manage their receivable turnover which company in the middle position compare with their biggest competitors Adidas, company should improve their credit system.

profitability ratios

	2006	2007	2008	Puma 2007	Adidas 2007
6. Profit Margin	9.31%	9.14%	10.11%	11.33%	5.39%
7. Cash Return On Sales	11.15%	11.51%	10.40%	12.74%	7.57%
8. Asset Turnover	1.60	1.59	1.61	1.33	1.23
9. Return On Assets	14.92%	14.51%	16.28%	15.02%	6.65%
10. Return On common Stockholder's Equity	23.34%	22.41%	25.36%	24.41%	18.20%

Table7. Profitability ratios

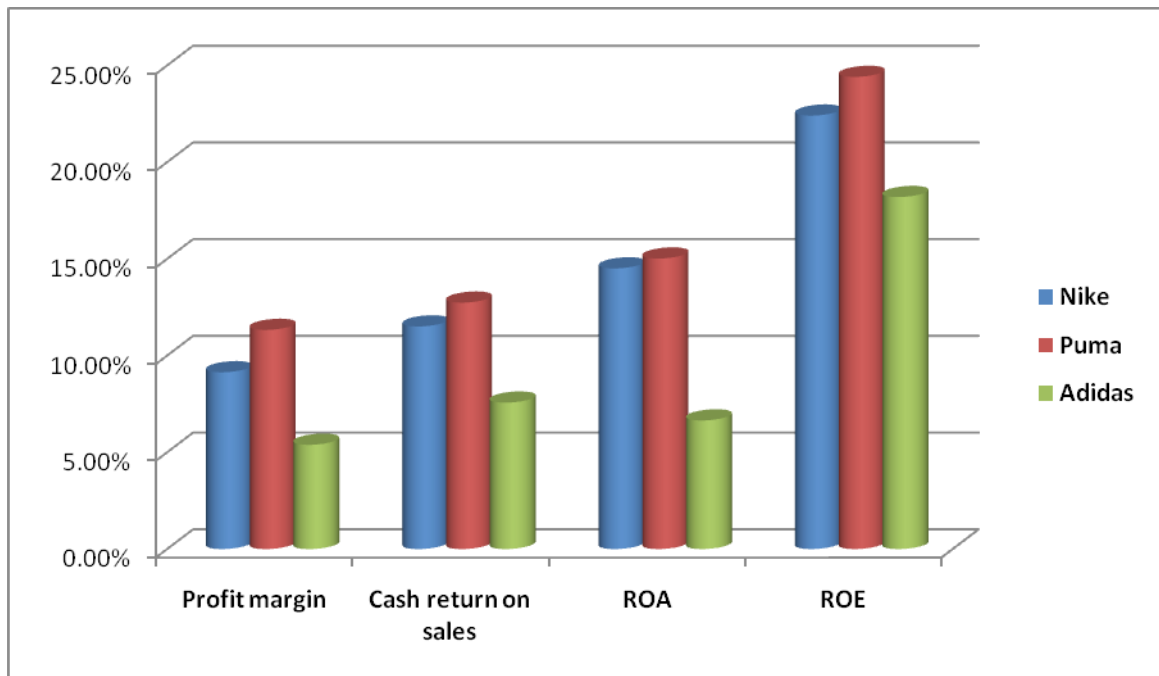


Figure5. Profitability 2007

Profit margin: Nike's ratio is also keep stable 9% from 2006 to 2007 and increase to 10% in 2008. Nike obtain 9% while Puma get 11% and Adidas is 5%, this means Puma has good percentage of this ratios, while Nike is in the middle better than Adidas in 2007.

Cash return on sales: Nike has 11.51% of this ratio, less than Puma with 12.74% and more than Adidas with 7.57%. On the other hand, company was increased this ratio from 2006 to 2007, but decreased in 2008 down to 10%.

Asset turnover: Nike's ratio of net sales equal 1.61 times of average assets in 2007, this number of Puma is 1.33 and Adidas is 1.23, this means Nike's is the best and be in good situation in operating activities, on the other hand company also increased in next year 2008 up to 1.61 times

Return on assets: Nike has good situation in this ratio 15% in 2007 equal with Puma and better than Adidas with 7%, this ratio is increased in 2008 to 16%.

Return on common stockholder's equity: Nike has middle position in this ratio with 22% while Puma has 24% and Adidas 18% in 2007. This is also good ratios for Nike if we consider to total amount of Nike Equity which is big amount more than Puma and Adidas. Also in the coming years 2008, company has good increasing to 25%.

Evaluation: Though the Profitability ratios, Nike is only in the middle position. Company has largest amount of sales however the percentage of profit margin and net income is not enough high as Puma because of the high in cost of goods sold, this restricted the net income and then to some profitability ratios as mentioned above.

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OLVENCY RATIOS

	2006	2007	2008	Puma 2007	Adidas 2007
11. Debt to Total Assets Ratio	36.32%	34.27%	37.11%	38.01%	63.56%
12. Times Interest Earned	59.20	33.74	33.46	1.95	6.85
13. Debt-Equity ratio	57.03%	52.14%	59.01%	61.33%	174,39%

14. Cash flow to Debt ratio	46.53%	51.29%	41.93%	42.70%	14,74%
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Table 8. Solvency ratios:

Debt to total assets ratio: The results tell that Nike has best position compare with Puma and Adidas because their total Debt occupies only 34% of total assets in 2007 while Puma has 38% and Adidas has 64%. This help Nike is interesting for long-term investors and creditors. This number is also decreased from 2006 36% to 2007 34% and increasing in 2008 to 37%.

Time interest earned: Nike has very high 33.74 in this ratio because they have very high amount of earnings before income taxes 2199.9 millions USD while their interest expense is quite small amount 67.2 millions USD. This cause might come from the scale of business.

Debt-Equity Ratio: Nike is in the best position in this ratio in 2007, where their total liabilities occupy 52.14% of their stockholder's Equity, compare with Puma 61.33% and Adidas 174%. This means, Nike has better performance in investment capital from shareholders. Company can run their operation base on their investment capital.

Cash flow to Debt ratio: Nike is also in the best position in this ratio, where their Cash from operating activities can cover 51.29% of their total debt, while Puma 42% and Adidas 14%, however this number is decreased in the next year in 2008 to 41.93%, this causes by the strongly increased in deferred income tax, and their acquisition subsidiary of their investing activities, we can observe this in their statement of cash flow in 2008.

Evaluation: Nike is in the best performance in solvency ratios because they have good business strategies, in investment and operation, company does not spend more in fixed assets because they actually do not have factories, they just concentrate more on their research and development for product innovation, and manage their criteria for manufacturers by the production and purchasing contracts. What Nike should to do is to maintain and more improve their strategy and continue their wise business policies.

ther ratios

11. Earnings Per Share	2.64	2.93	3.74
12. Price-Earnings Ratio	15.2	19.4	18.3
13. Payout Ratio	20.90%	23.04%	21.92%

Table9. Other ratios

The ratios show that the profit from share of Nike is in positive position, this numbers is optimistic number for investors and share holders and this is more affirming for the efficiency in Nike investment policy and operation activities in the background of global economics crisis.

2.3.5 Du Pont analysis in 2008

$$\begin{aligned}
 \text{ROE} &= \text{Profit Margin} \times \text{Asset Turnover} \times \text{Equity Multiplier} \\
 \text{ROE} &= \frac{\text{Net income}}{\text{Total revenue}} \times \frac{\text{Total revenue}}{\text{Average assets}} \times \frac{\text{Average assets}}{\text{Average equity}} \\
 \text{ROE} &= \boxed{\frac{\text{Net income}}{\text{Total revenue}}} \times \boxed{\frac{\text{Total revenue}}{\text{Average equity}}} \\
 &\quad \text{Operational Efficiency} \quad \quad \quad \text{Capital Efficiency}
 \end{aligned}$$

$$\text{ROE} = \frac{1883.4}{18627} \times \frac{18627}{7425.35} = 10.11\% \times 250.86\% = 25.36\%$$

This analysis shows that the income from equity of Nike is mostly come from their capital efficiency rather than the operational efficiency.

Overall ratios:

	2006	2007	2008	Puma 2007	Adidas 2007
Liquidity Ratios					
1. Current Ratio	2.81	3.13	2.66	2.31	1.70
2. Acid Ratio	1.79	2.07	1.68	1.69	0.76
3. Current Cash Debt Coverage Ratio	72.16%	72.31%	65.58%	53.91%	33.76%
4. Receivable Turnover	6.47	6.69	7.04	6.22	7.17
5. Inventory Turnover	7.69	4.37	4.49	3.07	3.35
Profitability Ratios					
6. Profit Margin	9.31%	9.14%	10.11%	11.33%	5.39%
7. Cash Return On Sales	11.15%	11.51%	10.40%	12.74%	7.57%
8. Asset Turnover	1.60	1.59	1.61	1.33	1.23
9. Return On Assets	14.92%	14.51%	16.28%	15.02%	6.65%
10. Return On common Stockholder's Equity	23.34%	22.41%	25.36%	24.41%	18.20%
Solvency ratios					
11. Debt to Total Assets Ratio	36.32%	34.27%	37.11%	38.01%	63.56%
12. Times Interest Earned	59.20	33.74	33.46	1.95	6.85
13. Debt-Equity ratio	57.03%	52.14%	59.01%	61.33%	174,39%
14. Cash flow to Debt ratio	46.53%	51.29%	41.93%	42.70%	14,74%
Other ratios					
15. Earnings Per Share	2.64	2.93	3.74		
16. Price-Earnings Ratio	15.2	19.4	18.3		
17. Payout Ratio	20.90%	23.04%	21.92%		

Table10. Overall ratios

IV. CONCLUSION AND RECCOMENDATIONS

As we Known, Nike is one of the most famous Companies in the global athletic footwear and apparel market. It has been developing since the establishment and has been becoming the leader in the market, Nike's development base on the creation in business and management. In the world of competition, Nike has been becoming the leader company. This was the result of incessantly efforts of creation and intelligence for innovation and improving quality of products. The financial datum in this analysis has shown that Nike has power in capital and other current ratios as we can see in the horizontal and vertical analysis this helps company is also has good position in Net working capital for short-term operating activities. Through this analysis we can see, Nike is in the best position in Liquidity and Solvency ratios compared in general in both business scale and financial point of view in 2007, this is the consequence of power of capital and investment policy. However the company just only in the middle position (except turnover ratio) in the term of Profitability which is much more important in for development in long term, and attract the investors. Return to Profit margin ratio and income statements of Nike and Puma on 2007, Nike's gross margin is 43.9 % while this number of Puma is 52.3% this means cost of goods sold of Nike is quite large which occupies 56.1% of total revenue, this number is highly effect to their net income only 9.14% in that year and it impacted to ratio return on assets 14.51%, and Return on Stockholder's equity 22.41% which were also in behind PUMA 15.02% and 24.41% while Nike has huge amount of total assets and stockholder's equity but with impropriate amount of net income compare with PUMA therefore Nike should consider about this matter, check their production system from their manufacturers to reduce more production cost and the same time reduce other expense to increase the net income which is quite less than PUMA.

Concerning to the ratio cash return on sales which Nike is in the middle position, Nike was increased in the prepaid expense and current assets 60.1 million in 2007 compare with previous years 2006 only 37.2 million and 11.2 million in 2008, this increase quite impacted to net cash from operating activities then cash return on sales, however this is the prepaid expense so it has good effect in the long term and the number in next yeas proved that where their prepaid expense was only 11.2 million. Coming to the receivable turnover in 2007 which Nike was in the middle position with the number is 6.69, behind Adidas 7.17 this means Nike can collect amount of receivable in approximately 55 days, while the period of Adidas is 51 days therefore Nike need to control their system of payment and credit more efficiently.

Though the work above has proved that Nike is the leader in the market in the industry, beside the improvement on the ratios of profitability as analysis above the needed thing for Nike is try to maintain their optimistic ratios of liquidity and solvency on the financial and operating activities. Recently when the world has been spending the time global economic regression and financial crisis, maintaining the position and improve performance will be the big challenge for not only Nike but also for others companies in the industry. This requires Nike continue uphold incessantly their creation and innovation which have been creating their brand name, success and become number 1 trademark in the market of sport footwear, apparel, and equipments.

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APPENDICES: NIKE INC FINANCIAL STATEMENTS

BALANCE SHEET**Year Ended May 31, Million USD**

	2006	2007	2008
ASSETS			
CURRENT ASSETS			
CASH AND EQUIVALENTS	954.20	1,856.70	2,133.90
SHORT-TERM INVESTMENTS	1,348.80	990.30	642.20
ACCOUNTS RECEIVABLE, NET	2,382.90	2,494.70	2,795.30
INVENTORIES	2,076.70	2,121.90	2,438.40
DEFERRED INCOME TAXES	203.30	219.70	227.20
PREPAID EXPENSES AND OTHER CURRENT ASSETS	380.10	393.20	602.30
TOTAL CURRENT ASSETS	7,346.00	8,076.50	8,839.30
PROPERTY, PLANT AND EQUIPMENT, NET	1,657.70	1,678.30	1,891.10
IDENTIFIABLE INTANGIBLE ASSETS, NET	405.50	409.90	743.10
GOODWILL	130.80	130.80	448.80
DEFERRED INCOME TAXES AND OTHER ASSETS	329.60	392.80	520.40
TOTAL ASSETS	9,869.60	10,688.30	12,442.70
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
CURRENT PORTION OF LONG-TERM DEBT	255.30	30.50	6.30
NOTES PAYABLE	43.40	100.80	177.70
ACCOUNTS PAYABLE	952.20	1,040.30	1,287.60
ACCRUED LIABILITIES	1,276.00	1,303.40	1,761.90
INCOME TAXES PAYABLE	85.50	109.00	88.00
TOTAL CURRENT LIABILITIES	2,612.40	2,584.00	3,321.50
LONG-TERM DEBT	410.70	409.90	441.10
DEFERRED INCOME TAXES AND OTHER LIABILITIES	561.00	668.70	854.50
COMMITMENTS AND CONTINGENCIES			
REDEEMABLE PREFERRED STOCK	0.30	0.30	0.30
SHAREHOLDERS' EQUITY			
COMMON STOCK AT STATED VALUE			
CLASS A CONVERTIBLE - SHARES OUTSTANDING	0.10	0.10	0.10
CLASS B - SHARES OUTSTANDING	2.70	2.70	2.70
CAPITAL IN EXCESS OF STATED VALUE	1,447.30	1,960.00	2,497.80
ACCUMULATED OTHER COMPREHENSIVE INCOME	121.70	177.40	251.40
RETAINED EARNINGS	4,713.40	4,885.20	5,073.30
TOTAL SHAREHOLDERS' EQUITY	6,285.20	7,025.40	7,825.30
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,869.60	10,688.30	12,442.70

INCOME STATEMENT			
Year Ended May 31			
	2006	2007	2008
Revenues	14,954. 90	16,325. 90	18,627.0 0
Cost of sales	8,367.9 0	9,165.4 0	10,239.6 0
Gross margin	6,587.0 0	7,160.5 0	8,387.40
Selling and administrative expense	4,477.8 0	5,028.7 0	5,953.70
Interest (income) expense, net	36.80	67.20	77.10
Other (expense) income, net	-4.40	0.90	-7.90
Income before income taxes	2,141.6 0	2,199.9 0	2,502.90
Income taxes	749.60	708.40	619.50
Net income	1,392.0 0	1,491.5 0	1,883.40
Basic earnings per common share	2.69	2.96	3.80
Diluted earnings per common share	2.64	2.93	3.74
Dividends declared per common share	0.59	0.71	. 0.875

CASH FLOW			
Year Ended May 31, Million USD			
	2006	2007	2008
Cash provided (used) by operations			
Net income	1,392.00	1,491.50	1,883.40
Income charges not affecting cash:			
Depreciation	282	269.7	303.6
Deferred income taxes	-26	34.1	-300.6
Stock-based compensation	11.8	147.7	141
Gain on divestitures			-60.6
Amortization and other	-2.9	0.5	17.9
Income tax benefit from exercise of stock options	54.2		
Changes in certain working capital components and other assets liabilities excluding the impact of acquisition and divestitures			
Increase in accounts receivable	-85.1	-39.6	-118.3
Increase in inventories	-200.3	-49.5	-249.8
Increase in prepaid expenses and other current assets	-37.2	-60.8	-11.2
Increase in accounts payable, accrued liabilities and income taxes payable	279.4	85.1	330.9
Cash provided by operations	1,667.90	1,878.70	1,936.30
Cash provided (used) by investing activities:			
Purchases of short-term investments	-2,619.70	-2,133.80	-1,865.60
Maturities of short-term investments	1,709.80	2,516.20	2,246.00
Additions to property, plant and equipment	-333.7	-313.5	-449.2
Disposals of property, plant and equipment	1.6	28.3	1.9
Increase in other assets, net of other liabilities	-34.6	-4.3	-21.8
Acquisition of subsidiary, net of cash acquired			-571.1
Proceeds from divestitures			246
Cash (used) provided by investing activities	-1,276.60	92.9	-413.8
Cash provided (used) by financing activities			
Proceeds from issuance of long-term debt		41.8	
Reductions in long-term debt, including current portion	-6	-255.7	-35.2
Increase (decrease) in notes payable	-18.2	52.6	63.7
Proceeds from exercise of stock options and other	225.3	322.9	343.3
Excess tax benefits from share-based payment arran		55.8	63
Repurchase of common stock	-761.1	-985.2	-1,248.00
Dividends — common and preferred	-290.9	-343.7	-412.9
Cash used by financing activities	-850.9	-1,111.50	-1,226.10
Effect of exchange rate changes	25.7	42.4	-19.2
Net increase (decrease) in cash and equivalents	-433.9	902.5	277.2
Cash and equivalents, beginning of year	1,388.10	954.2	1,856.70
Cash and equivalents, end of year	954.2	1,856.70	2,133.90
Supplemental disclosure of cash flow information			
Cash paid during the year for			
Interest, net of capitalized interest	54.2	60	44.1
Income taxes	752.6	601.1	717.5
Dividends declared and not paid	79.4	92.9	112.9