

PREPARED REMARKS / UNOFFICIAL TRANSCRIPT – Q216 NIKE, Inc.

December 22, 2015

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Operator:

Good afternoon, everyone. Welcome to NIKE's fiscal 2016 second quarter conference call. For those who need to reference today's press release you'll find it at <http://investors.nike.com>. Leading today's call is Kelley Hall, Vice President, Corporate Finance and Treasurer. Before I turn the call over to Ms. Hall, let me remind you that participants on this call will make forward-looking statements based on current expectations and those statements are subject to certain risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties are detailed in the reports filed with the SEC including forms 8-K, 10-K, and 10-Q.

Some forward-looking statements concern future orders that are not necessarily indicative of changes in total revenues for subsequent periods due to mix of futures and at-once orders, exchange rate fluctuations, order cancellations, changes in the timing of shipments, discounts and returns which may vary significantly from quarter-to-quarter. In addition, it is important to remember a significant portion of NIKE, Inc.'s continuing operations including equipment, NIKE Golf, Converse, and Hurley are not included in these futures numbers.

Finally, participants may discuss non-GAAP financial measures, including references to wholesale equivalent sales. References to wholesale equivalent sales are only intended to provide context as to the overall current market footprint of the brands owned by NIKE, Inc. and should not be relied upon as a financial measure of actual results. Participants may also make references to other non-public financial and statistical information and non-GAAP financial measures. Discussion of non-public financial and statistical information and presentations of comparable GAAP measures and quantitative reconciliations can be found at NIKE's website, <http://investors.nike.com>.

Now I would like to turn the call over to Kelley Hall, Vice President, Corporate Finance and Treasurer.

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Kelley Hall:

Thank you operator.

Hello everyone and thank you for joining us today to discuss NIKE's fiscal 2016 second quarter results.

As the operator indicated, participants on today's call may discuss non-GAAP financial measures. You will find the appropriate reconciliations in our press release which was issued about an hour ago, and at our website: <http://investors.nike.com>.

Joining us on today's call will be NIKE, Inc. President and CEO Mark Parker, followed by Trevor Edwards, President of the NIKE Brand, and finally you will hear from our Chief Financial Officer, Andy Campion, who will give you an in depth review of our financial results.

Following their prepared remarks, we will take your questions. We would like to allow as many of you to ask questions as possible in our allotted time. So, we would appreciate you limiting your initial questions to two. In the event you have additional questions that are not covered by others, please feel free to re-queue and we will do our best to come back to you. Thanks for your cooperation on this.

I'll now turn the call over to NIKE, Inc. President and CEO Mark Parker.

Mark Parker:

Thank you, Kelley. Hello everyone and happy holidays.

Q2 was another strong quarter for NIKE. We continue to show that we have the ability to drive both profitable growth and significant shareholder value over the long-term.

Let's take a look at the highlights from the second quarter:

- NIKE, Inc. revenues grew 4% to \$7.7 billion, despite continued FX headwinds. On a currency-neutral basis, NIKE, Inc. revenues grew 12%.
- Gross Margin expanded 50 basis points
- And Earnings Per Share increased 22% to \$0.90

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The success you see today and the opportunities ahead are driven by the strength of our portfolio. NIKE has many dimensions to our business...and together they are operating powerfully and efficiently.

We're connecting deeply with consumers through products and experiences...and capturing value through our strategies and investments.

Our complete offense - which includes our brands, geographies and categories – makes us flexible and keeps us close to the consumer so we can see AND act on new opportunities, in real-time.

We see it in the markets we transform like China and Western Europe...and in the businesses we accelerate – like Women's and the Jordan Brand.

Our operational scale is second to none. We have the power to grow the entire marketplace and innovate through a global supply chain that shipped roughly 1.1 billion units last year.

And as we've shown consistently, everything we do is executed with a sharp focus and a financial discipline.

We have a proven track record of:

- delivering topline growth;
- expanding profitability;
- and maintaining a high return on invested capital

And because we drive consistent, profitable growth, we are able to deliver strong returns to our shareholders. For example, we recently announced a new four-year, 12 Billion Dollar share repurchase program...we increased our annual cash dividend for the 14th year in a row... and we announced a two-for-one stock split.

It's clear... we have the right plan in place...against the backdrop of a global movement of fitness and sports. It's all adding up to incredible momentum for our business.

But we're never fully satisfied. More than ever, we are focused on the areas where we can

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continue to get better... and making necessary changes to ensure we continue to drive strong, profitable growth for the long-term.

The force behind today's results and our future potential is of course...innovation. Our obsession and relentless drive to be better is at the core of our culture and our strategy.

And as you know, it starts with product. We invent breakthroughs, then build a thriving business around them. We told you during our investor day how we've built Flyknit from a concept to a billion dollar platform in just four years. This is the kind of search for scalable innovation that is going on every day at NIKE.

Just as important is our focus on bringing innovations to market in a directive and productive way through merchandising and marketplace management, across all channels and multiple price points.

Innovation is also fueled by partnerships. When we partner, it can be like setting off a chain reaction – leading us to new and better ideas more quickly.

It's why we value our relationships with athletes, NIKE's original and most important collaborators. Our relationships with thousands of athletes, teams and federations do more than build our brand, they give us personal access to their insights and the science behind the problems they need to solve. That's why we work with the best athletes like...LeBron, Serena and Cristiano...along with everyday athletes like the rest of us.

Partnerships also play a critical role in creating and expanding the marketplace. With our long-standing wholesale partners, we give consumers broad access to NIKE and together, we segment and differentiate our assortments to drive mutually profitable retail.

At NIKE, collaboration is also a powerful strategy for activating new ways to work. As the clear leader in our industry, we align ourselves with leaders in other industries. To that end, we announced two new partnerships in October.

The first is DreamWorks and their technology company NOVA. With this partnership, we've combined the expertise of two design leaders - NIKE with the human body in motion and

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DreamWorks with the animated body in motion. I've been talking with our design teams and they see great potential in NOVA's platforms to advance our creation process....in capability, precision and speed.

The second is FLEX. Many of you know about the impressive work that FLEX does. They're already accelerating our manufacturing revolution efforts.

It's in the early stages yet, but in one specific process they've combined automated material management with automated laser cutting which can reduce waste by up to 50%.

This is just one example of many that are in development. And what we learn from FLEX, we expect to scale across our broad global source base.

For the consumer, our partnership has the potential to expand their list of choices...and accelerate delivery times from weeks to days.

Both partnerships are at the intersection of another vital innovation driver ...and that's digital. At NIKE, digital does more than just add capabilities for today...it defines how consumers will experience the NIKE brand moving forward. It's an accelerator across our business...in product...through the supply chain...in analytics... and all the way to retail.

A few weeks ago we shared our long-term vision for e-commerce growth - 7 Billion dollars in revenue by the end of fiscal year 20. In Q2 we continued our accelerated pace, growing the NIKE.com business nearly 50% on a constant-currency basis.

We added Canada, Switzerland and Norway to our expanding list of e-commerce markets...and next quarter we are planning to do the same for the sport-obsessed cultures of Mexico, Turkey and Chile.

When we expand our NIKE.com footprint, it gives new consumers access to the best of NIKE and it drives great energy for our business.

We have focused our investments in digital and mobile over the last several years and they're paying off. Driving the connection of NIKE.com to our broader digital strategy continues to be - without a doubt - one of our greatest opportunities as a company.

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Digital, of course, also allows us to deepen the relationships we already have with consumers – by tailoring every interaction to their specific needs. Through NIKE+ we've created an eco-system that gives athlete's access to their fitness history, training programs, and their favorite gear – every time they connect with NIKE.

We started on this journey ten years ago with NIKE+ and we've continued to evolve the digital experience for consumers through multiple sports ...in the world's most important markets...in both men's and women's.

You'll hear more from us about this space later in the fiscal year, but we're continuing our never-ending quest to make the digital experience simple and personal. Simple, moving toward one access point for the best of NIKE...and personal, more and more tailored to the individual.

We're entering one of the most exciting periods of sport. The second half of Fiscal 16 is filled with some of the world's greatest sport moments – Super Bowl 50, NBA All Star Weekend, March Madness, COPA America, Euro 16...and of course, the run-up to the Rio Olympics.

In these moments, like the athletes we serve, NIKE is at the top of our game. And this year you will see NIKE unlock innovation for athletes like never before. We have a full pipeline that will help Olympic athletes change the course of their sports...and experiences that will change how all athletes train and run.

I'm proud of this quarter and our incredible team behind the results. They are the reason NIKE continues to drive growth and value for our shareholders. Like me, they're all focused on continuing our momentum and delivering inspiring innovation to athletes everywhere for years to come.

Thank you everyone, now here's Trevor.

Trevor Edwards:

Thank you, Mark. Happy holidays everyone.

The NIKE Brand delivered another impressive quarter, demonstrating the tremendous momentum of the NIKE Brand. Let's take a look at the numbers:

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On a constant-currency basis:

- NIKE Brand revenue grew 13%, with double-digit growth across every geography and most key categories.
- NIKE Brand DTC revenue increased 26%, driven by 13% comp store growth, continued strong growth in online sales, up 49%, and new store expansion.
- And we are very pleased with continued strength in Global Futures; up 20%.

As always, these results are due to NIKE's world-class ability to understand the consumer – what they need and what inspires them. Those connections let us see the biggest growth opportunities and then sharpen our focus to best attack them. It's these powerful relationships that drive our Category Offense, providing us insights to create the innovative products, meaningful services and inspiring experiences that athletes all over the world love.

Let me highlight three categories that demonstrate this powerful consumer focus.

Let's first take a look at Running. Running is our largest performance category, and continues to deliver strong results, with Q2 revenue growing at a double-digit rate. At NIKE, we know that running never stops. No matter the season, no matter the conditions, we provide solutions to help runners get out and pursue their goals. This quarter, with winter setting in, we released our Flash Pack collection, which offers a reflective print to keep runners visible and warm in low-light conditions.

The Flash Pack includes apparel – such as the Aeroloft Flash Vest and Shield Flash Running Jacket – as well as great footwear, including the popular Air Zoom Pegasus and Air Zoom Structure 19. All told, this collection offers yet another example of how NIKE innovates to expand the market.

Other running footwear successes in Q2 include the launch of Air Zoom Odyssey, which offers three densities of foam for maximum stability and support, and the Air Max 2016, with its complete cushioning and durable ride thanks to a full-length Max Air unit.

At the same time, as part of our continued Amplify strategy, we expand off performance with

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pinnacle sportswear product, to enable our consumers to express their love of sport.

Part of this strategy is a constant focus on “sport style innovation.” In our Running-inspired Sportswear, we are driving a steady stream of great products with strong sell-through. These include the Tech Pack and the Tech Fleece AeroLoft apparel styles as well as the continued success of the Roshe and the new Air Max ULTRA line.

Finally, our pinnacle products are always complemented by unique experiences as only NIKE can do. Every year, Q2 is the season for some of our most popular running events, including the Shanghai Marathon and the Women’s Half-Marathon in San Francisco. The enthusiasm we see at these races echoes throughout our entire Running category, year after year.

Next, Basketball. For years, we have built deep and meaningful relationships with basketball fans through two of the largest, most powerful brands in the world – NIKE and Jordan. Together, we have the deepest roster of athletes and the most global reach with federations and leagues around the world. As we said in October, we will start breaking out the Jordan Brand separately from NIKE Basketball – so I’ll give you a few highlights from both.

In NIKE Basketball, we saw mid-single digit growth in Q2, fueled by key products such as the Kyrie 1. This product delivers responsive cushioning with Zoom Air and ultra-support with the Hyperfuse construction ... and it has seen tremendous sell-through since its launch a year ago. And just last week, the launch of the Kyrie 2 has already seen strong consumer response, with a first-of-its-kind curved midsole and outsole, designed to enhance the rapid cuts that players make on the court.

Another example of basketball innovation is the recently introduced Kobe 11, a high-performance low-top that utilizes the latest Flyknit technology for lightweight strength – a stronger iteration to achieve peak performance.

Our athletes always serve as an amazing source of inspiration for us, from LeBron and KD to our young players having incredible seasons, like Paul George and Anthony Davis. These athletes and more are featured in our latest basketball campaign: “Bring Your Game.” This campaign will launch in full on Christmas day to inspire and motivate young players to bring their best to the

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court every day.

And speaking of great athletes featured in the campaign, Elena Delle Donne won the WNBA Most Valuable Player which was awarded just before the launch of our new Women's Basketball collection. The sell-through has been beyond strong, and with women making up roughly 40 percent of basketball players we are just scratching the surface of how we can serve this growing community.

As we continue to sharpen our focus on running a complete offense in NIKE Basketball, we are excited about the deep pipeline of products we will be bringing to the market in the coming seasons.... all of which will help us capture the significant potential that lies ahead.

Now, for the Jordan Brand. This is the start of an exciting new era for Jordan.

Even as we expand this brand both globally and into other categories, Jordan's basketball products continue to be the most coveted and premium on the market. This brand proves, time and again, its ability to combine its iconic silhouettes with fresh styles.

For Q2, Jordan delivered strong double-digit growth, with the new CP3 9 and the launch of the AJ29 Low driving incredible consumer response. Like NIKE Basketball, Jordan has a deep roster of elite players, including Chris Paul and Russell Westbrook. What's more, in October, Michael Jordan himself visited basketball fans in Hong Kong, Shanghai and Tokyo to celebrate the Brand's 30th anniversary, helping to ignite the culture of basketball around the world. His visit drove strong consumer engagement with the new Jordan House of Flight in Shanghai and the Flight Training Camps for young players across the markets. These cultural moments prove what we already know: that the power of this brand extends well beyond the game.

All this excitement can be seen at retail, highlighted by the Jordan executions with Dick's Sporting Goods and the energy-packed opening of our new Jordan store on State Street in Chicago, a great execution with Foot Action. This store will operate as a pinnacle retail experience celebrating the performance, style and soul of the brand. What's more, directly above the store is a training lab serving elite high school athletes in the local area.

Our consumers' passion for both the NIKE and Jordan brands is driving tremendous energy and

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speaks to the significant opportunity that remains for our basketball business around the world.

Now let's take a look at a few of our key geographies.

North America had another strong quarter with revenues up 10% and Futures up 14%. This geography continues to drive strong growth across most key categories. Whilst this is our most developed market, North America proves that the right strategies can drive consistent, profitable growth. Our brand in North America has never been stronger: with men, with women, with athletes in all sports. We are seeing continued strong demand across our executions with wholesale partners such as Foot Locker and Dick's Sporting Goods. Our own DTC business also had another strong quarter, up 17%, led by ongoing strength in NIKE.com and comp store growth.

As we've discussed in prior quarters, we continue to work to effectively manage the flow of product in North America and efficiently clear excess inventory. We are also continuing our work to bring our new North American distribution center fully online. Both of these efforts are making good progress. We expect inventory levels in North America to normalize over the balance of the fiscal year as we continue to take the appropriate actions to maintain a healthy pull market for the NIKE Brand.

Looking ahead, we see nothing but long-term potential for our North America business.

Now let's turn to Western Europe, where we see broad-based demand with strong revenue growth of 12% in the quarter and Futures up 25%. We fueled growth in Q2 by continuing to transform the marketplace along the Category Offense, with elevated executions at JD Sports, Foot Locker and Intersport. In addition, our own DTC business delivered 26% growth in the quarter.

This growth from Western Europe is what we've come to expect, with key categories of Sportswear and Global Football showing continued strength. This momentum has solidified NIKE as the region's most coveted sports brand, with strong growth across all territories. This geography-wide market growth, coupled with market share gains, proves the clear success of our efforts in Western Europe – and the vast potential this geography offers for years to come.

In the Emerging Markets, we are seeing improved revenue growth, with Q2 revenues up 11% and Futures growth of 14%. Growth in the quarter was driven by most territories, with particular

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strength in Mexico as we continue to benefit from our re-set efforts over the last year. We also saw strong growth in the key categories of Sportswear and Running.

In Brazil, revenue was down 6%, reflective of the continued challenges in the macro-economic landscape. Our brand remains strong in Brazil and we're gaining share as we remain focused on our strategy of resetting the market along the Category Offense. As we focus on differentiating our points of distribution and proactively managing the flow of product into the marketplace ... retail inventory levels in Brazil remain healthy. We continue to focus on creating more compelling consumer experiences at retail and online, and driving increased productivity and profitability for NIKE and our wholesale partners.

Overall, we continue to see tremendous long-term growth potential for the Emerging Markets, and we remain focused on doing the right things in the marketplace to capture that growth.

Lastly, Greater China had another amazing quarter, with revenue growth of 28%. The strength of the NIKE brand is fueling strong consumer demand, with Futures up 34% in a marketplace that continues to be very healthy.

We saw strong growth across nearly all categories in the quarter, led by Sportswear, Running and NIKE Basketball. We also saw continued strong growth from our own DTC business, up 51% in the quarter, fueled in part by our most successful

"Singles Day" event ever. And NIKE.com is showing extraordinary growth in China – one of the most mobile and connected countries on the planet.

The success we're seeing today in China stems from decisions we made just a few years ago, to align our teams against the biggest opportunities to drive growth with our Category Offense. By staying focused and diligent, we continue to lead the market as the region's most coveted sports brand. And we see significantly more opportunity still ahead.

2015 was the single greatest calendar year ever for the NIKE Brand. It proves yet again that we have the product, the services and the brand experiences that consumers want. And as we find new ways to surprise and delight athletes around the world, there's no telling what we can do. I can't wait for 2016, and the inspiration and innovation I know we're going to bring.

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Thanks, and now here's Andy.

Andy Champion:

Thanks, Mark and Trevor. And, happy holidays to everyone on the call!

Q2 was another strong quarter for NIKE. We delivered on our goals in terms of both ... topline growth ... and profitability. We also continue to have strong momentum across our uniquely diverse, global portfolio of businesses.

We are driving and delivering these strong financial results even amidst a volatile macroeconomic environment. We are doing so by:

1. Staying relentlessly focused on creating value for our consumers, leading with innovation
2. Effectively managing all of the operating and financial levers within our business to capture value for NIKE, and
3. Deploying our capital strategically to fuel long-term growth while also consistently expanding total returns to shareholders.

I will briefly touch on how we delivered against each of those three dimensions within the quarter:

- First, by executing the Category Offense, we continue to more deeply serve and create value for consumers around the world. In Q2, that translated into double-digit revenue growth in all of our Geographies on a currency-neutral basis. As both Mark and Trevor highlighted, we served consumers through the launch of innovative new products in multiple Categories and we also scaled recent product innovations such as Tech Pack, Aeroloft and Flyknit more broadly across our performance Categories and Sportswear. At the same time, we continue to transform where and how we serve our consumers leading with the expansion of NIKE.com ...while also scaling premium Category-oriented retail experiences with our partners around the world.
- In Q2, we also effectively managed all of the operating and financial levers within our business to translate our strong topline growth into expanding profitability. That included gross

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margin expansion through sustained strategic pricing and product cost management ... as well as leveraging productivity gains to ensure we deliver appropriate near-term profitability ... while also continuing to make the investments required to fuel growth over the long term. Those investments included, for example:

- accelerating our investment in product innovation,
- building critical operating infrastructure within our supply chain and from a technology perspective, and
- investing to maintain a healthy pull market in North America in service of the continued strong demand for our Brand

What sets NIKE apart in terms of operating and financial management is our ability to strike the right balance between the short ... and the long-term. Our goal is to both “Win Now ... and Create the Future.” And, the breadth and depth of our global portfolio of businesses affords us the flexibility to strike that balance quarter after quarter, year after year.

- Finally, as we create value for consumers and capture that value for NIKE, we continue to deliver significant value to our shareholders. Our top priority in terms of the use of our cash will remain re-investing in our business against opportunities to drive growth and strong returns. That's what we call the “virtuous cycle” that sustains NIKE's leadership position and expands the value of our enterprise. The strong cash flows that we generate also allow us to consistently increase our cash returns to shareholders through share repurchases and dividends. As Mark touched on, in the second quarter we announced a new \$12 billion, 4-year share repurchase program ... and a 14% increase in our cash dividend. Over the last 15 years, we have sustained strategic investment ... while also returning nearly \$25 billion to shareholders— that is a track record that we are proud of ... and one that we will continue to build upon.

Now, I will turn to a more detailed review of our Q2 financial results:

- Q2 reported Revenue for NIKE, Inc. increased 4%, and grew 12% on a currency-neutral basis. The NIKE Brand grew 13% on a currency-neutral basis in the NIKE Brand as growth was strong across all geographies and nearly all categories. Converse revenue declined 5% on a

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currency-neutral basis as growth in North America and Asia Pacific was more than offset by declines in Europe, particularly the U.K.

- Also on a currency neutral basis, NIKE Brand Futures Orders grew 20%, reflecting continued strong demand ... driven by a 12% increase in units, with an increase in average selling prices contributing 8 percentage points. Our Futures growth reflects the strength of our Brand and business around the globe, with all geographies growing at a double-digit pace.

On a reported basis, Futures grew 15%, taking into account the stronger US dollar against nearly all international currencies.

- Q2 Diluted EPS grew 22% to \$0.90, despite significant FX headwinds. EPS growth was driven by strong topline growth, gross margin expansion and effective financial management across all of the levers through to the bottom line.
- Gross Margin expanded 50 basis points to 45.6%, primarily driven by higher average selling prices, partially offset by higher product input costs and unfavorable foreign exchange.
- Q2 Demand Creation was flat, reflecting favorability from the quarterly timing of our investments in the current versus prior year.
- Operating Overhead increased 7% for the quarter, driven by costs associated with strong growth in our DTC business and investments in operational infrastructure and consumer-facing digital capabilities.
- Our Effective Tax Rate was 19.1% for Q2, lower than prior year primarily due to adjustments to tax expense on intercompany transactions in the prior year and an increase in the mix of earnings from operations outside the U.S. in the current year, which are generally subject to a lower tax rate. Those favorable factors were partially offset by benefits from the resolution of several tax audits recognized in the prior year.
- As of November 30, our Inventories were up 11%, primarily to support strong wholesale and owned retail demand as reflected in our Futures orders.

Overall, our inventories continue to be healthy around the world. As we noted last quarter, our

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inventory in North America will be somewhat elevated over the balance of the fiscal year as we proactively manage the marketplace -- more expeditiously clearing high-quality, but excess, inventory ... while bringing a strong pipeline of new, innovative products to the market over the same horizon. These efforts will unfavorably impact Gross Margin in the near-term, which is reflected in our guidance for the balance of this fiscal year.

Now, let's review our performance by segment:

North America revenue grew 10% on a currency-neutral basis, with double-digit revenue growth across many of our largest categories including Jordan, Sportswear, Running and Men's Training. We continue to experience strong consumer demand for the NIKE Brand in North America as evidenced by Futures growth of 14%.

On a reported basis, North America revenue grew 9% and EBIT grew 12%, as revenue growth and SG&A leverage more than offset a slight decline in gross margin resulting from the clearance of inventory.

Moving on to Western Europe, revenue increased 12% on a currency-neutral basis driven by double-digit growth in every territory. The implementation of our Category Offense across jurisdictional lines continues to drive strong and sustainable growth for NIKE in this geography. Most key categories delivered strong growth, led by Sportswear and Global Football.

On a reported basis, Q2 revenue declined 1% due to weakness in the Euro; however EBIT increased 18%, primarily driven by gross margin expansion.

In Central & Eastern Europe, Q2 revenue grew 15% on a currency-neutral basis, driven by double-digit growth in most territories, except Greece which declined. Most categories also grew double-digits, led by Sportswear, Running and Global Football.

On a reported basis, Q2 revenue declined 6%, reflecting significantly weaker currencies, in particular the Ruble and the Turkish Lira. However, EBIT grew 33% due to strong gross margin expansion.

In Greater China, we continue to deliver extraordinary revenue growth, with Q2 revenue up 28%

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on a currency-neutral basis. The NIKE Brand continues to lead in China, transforming the marketplace to better serve our consumers. As a result, our growth is strong across nearly all key categories, led by Sportswear, Running, NIKE Basketball and Jordan.

On a reported basis, Q2 Revenue increased 24% and EBIT grew 27%, due to very strong revenue growth coupled with gross margin expansion.

In our Emerging Markets geography, Q2 revenue increased 11% on a currency-neutral basis, as most territories delivered strong growth in the quarter, driven by SOCO, Mexico and Pacific, while Brazil declined. Nearly every key category also grew in the quarter, led by Sportswear and Running.

On a reported basis, Emerging Markets revenue declined 8% for the quarter, due to foreign currency headwinds, while EBIT increased 2%, reflecting strong gross margin expansion.

While we have momentum in most territories within the Emerging Markets, as Trevor discussed, we are continuing to re-set Brazil. While we are taking share and inventory levels at retail are healthy, our focus is on fueling long-term growth through more elevated Category experiences.

Shifting from the NIKE Brand to Converse. Converse revenue declined 5% on a currency-neutral basis in Q2, with growth in North America and other developing markets offset by declines in certain European countries, primarily the U.K. The Converse brand remains incredibly strong around the world. And, to help realize the full potential of the brand going forward, we are more actively leveraging NIKE capabilities and innovation platforms to diversify the Converse product portfolio and elevate our operating capabilities in recently-transitioned international markets.

On a reported basis, Converse revenue declined 8%, primarily due to the weaker Euro. And, EBIT decreased 3% for the quarter, driven primarily by lower revenue and gross margin.

NIKE, Inc. delivered strong financial performance over the first half of FY16, and we have significant momentum across our global portfolio. As a result, our outlook for the full year remains consistent.

Specifically:

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For Q3, we expect reported Revenue to grow at a high-single to low double-digit rate; reflecting mid-teens growth on a currency-neutral basis, somewhat offset by the impact of the strong dollar. While our Futures growth is higher than our Q3 revenue guidance, it is important to remember that revenue expectations in any given fiscal period can be impacted by several factors, including, for example: the weighting of Futures by month...the flow of product within a season...the timing of shipments to our wholesale customers...as well as the timing of sell-through to consumers in our DTC business.

For the full year, we continue to expect reported Revenue growth will be in the mid-single-digit range.

We expect Gross Margin for Q3 to be down by about 50 basis points, reflecting our efforts to more expeditiously clear inventory in North America while bringing new, innovative products to market. For the full year, we continue to expect Gross Margin to expand by about 50 basis points, reflecting our strong performance in the first half of the fiscal year combined with our current expectations for Q3 and Q4.

For total SG&A, we expect Q3 to grow at a low to mid-teens rate, reflecting our continued investments in: DTC, consumer-facing digital capabilities, infrastructure...and key brand events, such as Super Bowl 50, the NBA All-Star Weekend and the timing of brand campaigns in support of select strategic Categories. For the full year, we continue to expect total SG&A will grow at a high single-digit rate.

We continue to anticipate Other Income will have a more meaningful impact on our FY16 results than we have seen historically, as a portion of our expected FX hedge gains are reported in this line item. Absent further changes in FX, we expect Other Income will be about \$30M for each of the next two quarters.

We now expect our Effective Tax Rate will be approximately 20% for the full year, reflecting the lower rate in the first half of the fiscal year and an average rate of about 22% for the second half of the fiscal year.

Q2 was another quarter of strong revenue growth and expanding profitability for NIKE.

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As we embark on the second half of our fiscal year, we have brand and business momentum ... we are on the offense...and, we will remain disciplined financially, as always, to ensure that we deliver appropriate growth and profitability in the near term while also investing strategically for the long term.

NIKE is on track to deliver another year of strong financial performance ... and returns to shareholders.

With that, we'll now open it up for questions.