

NIKE, Inc.
CONSOLIDATED STATEMENTS OF INCOME

<i>(Dollars in millions, except per share data)</i>	THREE MONTHS ENDED		%
	8/31/2016	8/31/2015	Change
Revenues	\$ 9,061	\$ 8,414	8%
Cost of sales	4,938	4,419	12%
Gross profit	4,123	3,995	3%
<i>Gross margin</i>	<i>45.5%</i>	<i>47.5%</i>	
Demand creation expense	1,041	832	25%
Operating overhead expense	1,856	1,745	6%
Total selling and administrative expense	2,897	2,577	12%
<i>% of revenue</i>	<i>32.0%</i>	<i>30.6%</i>	
Interest expense (income), net	7	4	—
Other (income) expense, net	(62)	(31)	—
Income before income taxes	1,281	1,445	-11%
Income tax expense	32	266	-88%
<i>Effective tax rate</i>	<i>2.5%</i>	<i>18.4%</i>	
NET INCOME	\$ 1,249	\$ 1,179	6%
Earnings per common share:			
Basic	\$ 0.75	\$ 0.69	9%
Diluted	\$ 0.73	\$ 0.67	9%
Weighted average common shares outstanding:			
Basic	1,672.0	1,709.0	
Diluted	1,708.9	1,754.5	
Dividends declared per common share	\$ 0.16	\$ 0.14	

NIKE, Inc.

CONSOLIDATED BALANCE SHEETS

<i>(Dollars in millions)</i>	August 31, 2016	August 31, 2015	% Change
ASSETS			
Current assets:			
Cash and equivalents	\$ 2,659	\$ 3,246	-18%
Short-term investments	2,128	2,162	-2%
Accounts receivable, net	3,526	3,288	7%
Inventories	4,896	4,414	11%
Prepaid expenses and other current assets	1,380	1,751	-21%
Total current assets	14,589	14,861	-2%
Property, plant and equipment, net	3,572	3,112	15%
Identifiable intangible assets, net	284	281	1%
Goodwill	139	131	6%
Deferred income taxes and other assets ¹	2,572	2,376	8%
TOTAL ASSETS	\$ 21,156	\$ 20,761	2%
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	\$ 44	\$ 106	-58%
Notes payable	22	23	-4%
Accounts payable	2,088	1,933	8%
Accrued liabilities ¹	3,147	3,142	0%
Income taxes payable	62	75	-17%
Total current liabilities	5,363	5,279	2%
Long-term debt	1,993	1,072	86%
Deferred income taxes and other liabilities ¹	1,635	1,516	8%
Redeemable preferred stock	—	—	—
Shareholders' equity	12,165	12,894	-6%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 21,156	\$ 20,761	2%

¹ During the fourth quarter of fiscal 2016, NIKE, Inc. adopted Accounting Standards Update No. 2015-17, which requires all deferred tax assets and deferred tax liabilities to be classified as non-current. All periods presented have been updated to reflect these changes.

NIKE, Inc.

DIVISIONAL REVENUES

(Dollars in millions)	THREE MONTHS ENDED		%	% Change
	8/31/2016	8/31/2015	Change	Excluding Currency Changes ¹
North America				
Footwear	\$ 2,518	\$ 2,366	6%	7%
Apparel	1,317	1,247	6%	6%
Equipment	196	186	5%	5%
Total	4,031	3,799	6%	6%
Western Europe				
Footwear	1,147	1,128	2%	4%
Apparel	531	434	22%	26%
Equipment	85	79	8%	10%
Total	1,763	1,641	7%	10%
Central & Eastern Europe				
Footwear	270	238	13%	19%
Apparel	138	133	4%	12%
Equipment	32	30	7%	16%
Total	440	401	10%	16%
Greater China				
Footwear	710	599	19%	25%
Apparel	269	246	9%	15%
Equipment	41	41	0%	4%
Total	1,020	886	15%	21%
Japan				
Footwear	166	122	36%	17%
Apparel	60	43	40%	21%
Equipment	19	14	36%	12%
Total	245	179	37%	18%
Emerging Markets				
Footwear	661	670	-1%	12%
Apparel	234	238	-2%	12%
Equipment	50	58	-14%	-2%
Total	945	966	-2%	11%
Global Brand Divisions²	15	26	-42%	-30%
Total NIKE Brand	8,459	7,898	7%	10%
Converse	574	555	3%	4%
Corporate ³	28	(39)	—	—
Total NIKE, Inc. Revenues	\$ 9,061	\$ 8,414	8%	10%
Total NIKE Brand				
Footwear	\$ 5,472	\$ 5,123	7%	10%
Apparel	2,549	2,341	9%	12%
Equipment	423	408	4%	6%
Global Brand Divisions ²	15	26	-42%	-30%

¹ Fiscal 2017 results have been restated using fiscal 2016 exchange rates for the comparative period to enhance the visibility of the underlying business trends excluding the impact of translation arising from foreign currency exchange rate fluctuations, which is considered a non-GAAP financial measure.

² Global Brand Divisions revenues are primarily attributable to NIKE Brand licensing businesses that are not part of a geographic operating segment.

³ Corporate revenues primarily consist of foreign currency hedge gains and losses related to revenues generated by entities within the NIKE Brand geographic operating segments and Converse but managed through our central foreign exchange risk management program.

NIKE, Inc.

EARNINGS BEFORE INTEREST AND TAXES¹

<i>(Dollars in millions)</i>	THREE MONTHS ENDED		%	
	8/31/2016	8/31/2015	Change	
North America	\$ 1,004	\$ 1,042	-4%	
Western Europe	392	485	-19%	
Central & Eastern Europe	81	98	-17%	
Greater China	371	330	12%	
Japan	50	36	39%	
Emerging Markets	171	258	-34%	
Global Brand Divisions ²	(771)	(624)	-24%	
TOTAL NIKE BRAND	1,298	1,625	-20%	
Converse	153	147	4%	
Corporate ³	(163)	(323)	50%	
TOTAL EARNINGS BEFORE INTEREST AND TAXES	1,288	1,449	-11%	
Interest expense (income), net	7	4	—	
TOTAL INCOME BEFORE INCOME TAXES	\$ 1,281	\$ 1,445	-11%	

¹ The Company evaluates performance of individual operating segments based on earnings before interest and taxes (commonly referred to as “EBIT”), which represents net income before interest expense (income), net and income tax expense and is considered a non-GAAP financial measure.

² Global Brand Divisions primarily represent demand creation, operating overhead and product creation and design expenses that are centrally managed for the NIKE Brand. Revenues for Global Brand Divisions are primarily attributable to NIKE Brand licensing businesses that are not part of a geographic operating segment.

³ Corporate consists largely of unallocated general and administrative expenses, including expenses associated with centrally managed departments; depreciation and amortization related to the Company’s corporate headquarters; unallocated insurance, benefit and compensation programs, including stock-based compensation; and certain foreign currency gains and losses, including certain hedge gains and losses.

NIKE, Inc.

NIKE BRAND REPORTED FUTURES GROWTH BY GEOGRAPHY¹

As of August 31, 2016

	Reported Futures Orders	Excluding Currency Changes ²
North America	1%	1%
Western Europe	4%	9%
Central & Eastern Europe	9%	9%
Greater China	15%	19%
Japan	26%	11%
Emerging Markets	6%	10%
Total NIKE Brand Reported Futures	5%	7%

¹ Futures orders for NIKE Brand footwear and apparel scheduled for delivery from September 2016 through January 2017. NIKE Brand reported futures include (1) orders from external wholesale customers and (2) internal orders from our DTC in-line stores and e-commerce operations which are reflected at prices that are comparable to prices charged to external wholesale customers. The U.S. Dollar futures orders amount is calculated based upon our internal forecast of the currency exchange rates under which our revenues will be translated during this period.

The reported futures orders growth is not necessarily indicative of our expectation of revenue growth during this period. This is due to year-over-year changes in shipment timing, changes in the mix of orders between futures and at-once orders, and because the fulfillment of certain orders may fall outside of the schedule noted above. In addition, exchange rate fluctuations as well as differing levels of order cancellations, discounts and returns can cause differences in the comparisons between futures orders and actual revenues. Moreover, a portion of our revenue is not derived from futures orders, including sales of at-once and closeout NIKE Brand footwear and apparel, all sales of NIKE Brand equipment, the difference between retail sales and internal orders from our DTC in-line stores and e-commerce operations, and sales from Converse, NIKE Golf and Hurley.

² Reported futures have been restated using prior year exchange rates for the comparative period to enhance the visibility of the underlying business trends, excluding the impact of foreign currency exchange rate fluctuations.

Nike, Inc. Return on Invested Capital Calculation																					
(Dollars in millions)	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17
Continuing operations:																					
Revenues	6,081	5,731	5,846	6,470	6,669	5,955	6,187	6,697	6,971	6,431	6,972	7,425	7,982	7,380	7,460	7,779	8,414	7,686	8,032	8,244	9,061
Operating expenses:																					
Cost of sales	3,388	3,281	3,285	3,703	3,766	3,425	3,451	3,757	3,839	3,605	3,869	4,040	4,261	4,053	4,034	4,186	4,419	4,185	4,343	4,458	4,938
Selling and administrative expense*	1,826	1,822	1,806	1,991	2,156	1,839	1,866	2,029	2,058	2,091	2,169	2,448	2,480	2,438	2,379	2,595	2,577	2,560	2,566	2,766	2,897
Restructuring charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible and other asset impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net operating profit	867	628	755	776	747	691	870	911	1,074	735	934	937	1,241	889	1,047	998	1,418	941	1,123	1,020	1,226
Other (income) expense, net*	18	9	(11)	38	(29)	(17)	17	13	28	13	45	17	3	2	(5)	(58)	(31)	(34)	(17)	(58)	(62)
Earnings before interest and taxes	849	619	766	738	776	708	853	898	1,046	722	889	920	1,238	887	1,052	1,056	1,449	975	1,140	1,078	1,288
Tax rate	24.4%	24.2%	27.3%	26.2%	27.6%	26.8%	22.8%	22.9%	25.0%	25.2%	22.5%	23.5%	21.7%	25.4%	24.4%	17.8%	18.4%	19.1%	16.3%	21.2%	2.5%
Taxes calculated	207	150	209	193	214	190	195	206	262	182	200	216	269	225	256	188	267	186	186	228	32
Trailing 4 quarters taxes**	722	720	745	759	766	806	792	805	853	845	850	860	867	910	966	938	936	897	827	867	632
Earnings before interest and after taxes from continuing operations	-	-	-	-	-	518	658	692	784	540	689	704	969	662	796	868	1,182	789	954	850	1,256
Earnings before interest and after taxes from discontinued operations	-	-	-	-	-	(137)	204	(28)	-	-	-	-	-	-	-	-	-	-	-	-	-
Earnings before interest and after taxes	642	469	557	545	562	381	862	664	784	540	689	704	969	662	796	868	1,182	789	954	850	1,256
Trailing 4 quarters earnings before interest and after taxes**	2,213	2,225	2,262	2,213	2,133	2,045	2,350	2,469	2,691	2,850	2,677	2,717	2,902	3,024	3,131	3,295	3,508	3,635	3,793	3,775	3,849
	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17
Total NIKE Inc. assets	14,740	14,499	14,724	15,419	15,035	15,090	15,530	17,545	17,582	17,724	17,703	18,594	18,521	19,167	20,541	21,600	20,766	22,583	20,987	21,396	21,156
Less:																					
Cash and equivalents and short-term investments	3,700	3,365	3,197	3,757	3,267	3,525	4,042	5,965	5,578	5,187	5,029	5,142	4,579	4,713	5,361	5,924	5,408	6,116	5,106	5,457	4,787
Accounts payable	1,421	1,411	1,298	1,588	1,551	1,519	1,241	1,646	1,559	1,612	1,480	1,930	1,970	2,074	1,821	2,131	1,933	1,915	1,714	2,191	2,088
Accrued liabilities	1,968	1,834	1,913	2,082	1,974	1,879	1,899	2,036	1,913	2,005	2,303	2,491	2,441	2,622	3,563	3,951	3,139	3,451	3,224	3,037	3,147
Income taxes payable	81	70	47	54	99	31	122	84	195	30	27	432	250	38	33	71	75	41	35	85	62
Deferred income taxes and other liabilities	906	925	979	991	1,065	1,188	1,287	1,292	1,322	1,424	1,515	1,544	1,408	1,446	1,505	1,480	1,517	1,600	1,659	1,770	1,635
Liabilities of discontinued operations	-	-	-	-	-	198	62	18	12	-	-	-	-	-	-	-	-	-	-	-	-
Plus:																					
Net debt adjustment*****	3,182	2,894	2,828	3,372	2,903	3,197	3,721	4,577	4,203	3,799	3,702	3,769	3,232	3,426	4,110	4,664	4,200	3,945	3,051	3,402	2,728
Invested capital	9,846	9,788	10,118	10,319	9,982	9,947	10,598	11,081	11,206	11,265	11,051	10,824	11,105	11,700	12,368	12,707	12,894	13,405	12,300	12,258	12,165
Trailing 5 quarters invested capital***	9,803	9,837	9,880	9,973	10,011	10,031	10,193	10,385	10,563	10,819	11,040	11,085	11,090	11,189	11,410	11,741	12,155	12,615	12,735	12,713	12,604
Return on invested capital****	22.6%	22.6%	22.9%	22.2%	21.3%	20.4%	23.1%	23.8%	25.5%	26.3%	24.2%	24.5%	26.2%	27.0%	27.4%	28.1%	28.9%	28.8%	29.8%	29.7%	30.5%
* Reclassifications have been made to conform to current-year presentation																					
** Equals the sum of the current quarter and previous 3 quarters																					
*** Equals the simple average of the current and previous 4 quarters																					
**** Equals the trailing 4 quarters earnings before interest and after taxes divided by trailing 5 quarters average invested capital																					
***** See calculation of Net debt adjustment below																					
Cash and equivalents and short-term investments	3,700	3,365	3,197	3,757	3,267	3,525	4,042	5,965	5,578	5,187	5,029	5,142	4,579	4,713	5,361	5,924	5,408	6,116	5,106	5,457	4,787
Less:																					
Long-term debt	238	234	229	228	226	170	161	1,210	1,207	1,201	1,201	1,199	1,195	1,084	1,082	1,079	1,079	2,067	2,048	2,010	1,993
Notes payable	164	123	91	108	129	100	103	121	111	180	119	167	146	93	61	74	23	99	-	1	22
Current portion of long-term debt	116	114	49	49	9	58	57	57	57	7	7	7	6	110	108	107	106	5	7	44	44
Net debt adjustment	3,182	2,894	2,828	3,372	2,903	3,197	3,721	4,577	4,203	3,799	3,702	3,769	3,232	3,426	4,110	4,664	4,200	3,945	3,051	3,402	2,728