PREPARED REMARKS / UNOFFICIAL TRANSCRIPT – Q217 NIKE, Inc.

December 20, 2016

Operator:

Good afternoon, everyone. Welcome to NIKE, Inc.'s fiscal 2017 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 Nitesh Sharan, Vice President, Investor Relations and Treasurer. Before I turn the call over to Mr. Sharan, 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, Converse, Hurley and NIKE Golf are not included in these futures numbers.

Finally, participants may discuss non-GAAP financial measures, including references to wholesale equivalent sales and constant-dollar revenue. 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. Similarly, references to constant-dollar revenue are intended to provide context as to the performance of the business eliminating foreign exchange fluctuations. 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 Nitesh Sharan, Vice President, Investor Relations and Treasurer.

Nitesh Sharan:

Thank you operator.

Hello everyone and thank you for joining us today to discuss NIKE, Inc.'s fiscal 2017 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. Chairman, 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. Chairman, President and CEO Mark Parker.

Mark Parker:

Thanks, Nitesh. And Happy Holidays everyone.

Q2 was another quarter of positive momentum for NIKE, Inc. Let's start with the numbers:

- NIKE, Inc. second quarter revenues were up 6%, growing to $8.2 billion. On a currency-neutral basis, NIKE, Inc. revenues grew 8%.
- Gross Margin declined approximately 140 basis points to 44.2%.
- Earnings Per Share increased 11% to 50 cents.
- And we delivered ROIC of 31.3%.

In the fast-moving world of sports and youth culture, results like these come from our obsession with the consumer – of knowing what they need and what inspires them. That's what drives innovation at Nike. And innovation is what drives growth.

Our approach has fueled 28 consecutive quarters of growth at a scale that is unrivaled in our industry. We have a strong track record….and, more importantly, we have an even better runway ahead.

With the energy we see in sports right now, along with today's more active lifestyle, it's no surprise that our industry continues to attract competition. As in sports, competition is a positive thing - it sharpens our focus.

And we know there are areas in the short-term where we haven't executed as precisely as we would have liked. As good as we are, we can be even better... by hyper-focusing on our most compelling growth opportunities.

Starting with the consumer who's not asking for more product…but looking for more choice of the products they love. We're responding by giving the consumer more distinctive options…with fewer products. What we call EDIT TO AMPLIFY.

Reducing styles, and highlighting key items and concepts, has a huge impact across our entire value chain.

This is especially important in North America and our key geographies as we better manage supply and demand to drive productivity and profitable top-line growth…while highlighting and scaling our most compelling product stories.

Or look at our success in China, where we amplify what's working…and edit out what's not to accelerate growth. Beyond product, e-commerce is one example, as we double down on the power of digital in this mobile-first market.

We also know from our consumers that speed matters. That insight is driving several SPEED AND AGILITY initiatives throughout our company. For example, we're scaling a process we call the Express Lane, which allows us to go from creation to market in weeks instead of months. The Express Lane is becoming an important competitive advantage. It led to a new product called the LunarCharge this quarter, which is seeing strong consumer demand.

We've always given consumers high energy product in the right place at the right time…we're now leveraging and creating capabilities on a much larger scale. The investments we make in Manufacturing Revolution - and throughout the supply chain - are going a long way in helping us realize that.

EDITING TO AMPLIFY…and driving SPEED AND AGILITY…are the keys to winning now. They also help set the foundation for growth in the future.

The other is Innovation - my top priority for the company. Innovation is what offers differentiation for consumers…and takes them somewhere new. It's how we lead the market.

To be clear…without innovation, there is no such thing as sustained growth.

We have some exciting new platforms on the way, starting with Air VaporMax – our highest performance and most visually striking Air Max cushioning system ever. We see a growing anticipation around Air VaporMax…from runners to sneaker retailers. It's a great example of an innovation that stands at the intersection of high tech, pure function and aesthetic beauty.

We expect big things from Air VaporMax in running…and we have an ambitious road map to bring it to life through other sports.

In apparel, we launched Thermasphere in running, adding to our diverse line-up of apparel that offers warmth without weight in cold weather. The Sphere family, including its lead style, Element Sphere, is performing very well in the marketplace. We also launched the Strike Series featuring Aeroswift technology, establishing the new modern look of Football training.

This quarter we delivered on the promise of personalized performance with our first adaptive product…the Hyperadapt 1.0.

There's a reason we called it the 1.0. Generations two and three are in the works…expanding adaptive performance products across other sport categories. There was huge demand for the Hyperadapt 1.0…and we plan to drive that momentum into adaptive product at a much larger scale.

And there's a lot more on deck with…

…new cushioning experiences in running and basketball

…digitally integrated product

…advancements in customization and personalization

…and breakthroughs in lightweight performance

Our pipeline is very strong. Covering the near, medium and long-term horizons…we've created both platforms and category-defining products…designed in a distinctive style…that spans all categories.

We're driving a pace and a scale of innovation that will deliver growth for years to come.

Right now, the consumer continues to respond to new generations of our state-of-the-art platforms in Flyknit, Free and Lunarlon.

This year, we redesigned Nike Free and brought a whole new sensation to Lunarlon with the Lunar Epic. Both continue to be huge drivers of our business – in both training and running…for both men and women.

Flyknit is also advancing well beyond our expectations. Its versatility is allowing us to create unexpected forms – across multiple sports…for all weather conditions…and even blending it with other materials to advance both performance and style.

And you're about to see even more firepower coming out of basketball. You'll hear more from Trevor on this, but we're in a good position to build on recent successes in Nike Basketball and Jordan for the back half of the fiscal year.

Another advantage we leverage is Nike's deep reservoir of iconic styles and innovation. It's a source of inspiration to our design teams… and a tremendous source of growth for our business.

There's always been a huge consumer appetite for re-interpreted franchises and icons. Take the Air Force 1 as one example this quarter.

Of course, the original remains a staple. This quarter, consumers responded to some of our longawaited, re-issued Air Force 1s…versions like the NYC, the LA, the CHI-TOWN and the Linen.

But we also give it new life through…

…a weather-repelling sneakerboot

…a featherweight Flyknit style

…and a NikeLab version with premium materials

One style that drove tremendous heat in the Air Force 1 family this quarter was the Special Field Air Force 1. Bringing a new look to an icon, this exciting new model has been selling through very quickly.

There is a misconception that growth in our lifestyle business comes at the expense of growth in our performance business.

The reality is, they fuel each other. Performance and lifestyle are not trade-offs.

Consumers want innovation that is style right…..and they want style with real innovation.

They want product…

…that helps them do more and get better

…that's comfortable and light

…and looks great on the court and the street.

Ultimately, they want choices that look and feel good across a spectrum of performance and lifestyle including performance products that are in high demand and fueling growth like.….the LeBron Soldier, Jordan 31, Kobe AD, Flyknit Racer, Lunar Epic Low…and the upcoming Air VaporMax.

Nike's opportunity is to continue to deliver across that spectrum to accelerate our leading performance position AND the world's largest sportswear business.

Part of our role as the industry leader is to continue to grow the whole market for sport. And that means knowing where the consumer is headed.

We're leading through digital. We made the move long ago to integrate brand, service and commerce in a meaningful way for consumers. No one in our space is close to connecting all three and turning it into value for the business the way that we do.

We brought this to life in a powerful way this quarter with Nike Soho. The five-story store is built around trial zones, personalized services and amazing product. It's bringing digital and physical retail together to deepen our relationships with our customers.

It's clear that DTC continues to be one of our greatest returns on investment. In Q2, our DTC business grew 23%, with Nike.com leading the way at 46%. There continues to be much more growth potential ahead for Nike in DTC.

We're also accelerating partnerships with multi-brand wholesalers who share our vision for serving our customers with elevated and differentiated consumer experiences.

Dick's is a great example, with its full-service footwear departments.

Others examples this quarter include…

…our women's lifestyle concept shop with Nordstrom

…our first European Jordan store in Paris with Footlocker

…and our most digitally integrated multi-brand consumer experience with JD.

More and more consumers want a seamless shopping experience – across physical and digital – and we are delivering that completely through our DTC, wholesale partners, and wholesale.com.

I feel really good about where Nike stands for the long-term. We're earning our #1 position every day. We're facing our challenges head on. And we're obsessing the fundamentals while seizing opportunities to be disruptive…in leading our industry.

We are well-positioned for the back half of the year. More importantly, we're clear on the opportunities in front of us…and confident in our plans to drive long-term growth and shareholder value for years to come.

Thanks and now here's Trevor.

Trevor Edwards:

Thank you, Mark. Happy holidays everyone.

The NIKE Brand delivered another solid quarter of growth in Q2.
As always, my remarks are on a constant-currency basis:

- NIKE Brand revenue grew 8%, led by broad-based growth across our largest geographies and categories.
- And NIKE Brand DTC revenue increased 25%, driven by continued strong growth in digital commerce, 11% comp store growth and new store expansion.

In Q2, we attacked opportunities across our portfolio to strengthen and extend our leadership position. In particular, I'd like to mention three of note:

- First, we're seeing incredible momentum in Basketball. To be clear: Basketball is Back.
- Second, we have made tremendous progress aligning supply and demand in North America, returning this important geography to a pull market.
- And third, we continue to see strong and steady momentum in Greater China, as we continue to invest in that market to fuel growth.

Now let's take a look at some of our key categories, starting with Running.
Running is our largest performance category and continues to be a tremendous source of innovation and growth, with Q2 revenue growing at a double-digit rate. It also continues to be one of our most influential and largest drivers of the Sportswear business.

Even as the weather turns, our runners never slow down. They inspire us to provide solutions to help them get out and run more. Mark mentioned the popular LunarEpic and in Q2, we launched the LunarEpic Flyknit Shield, with its all-weather construction designed to keep the foot warm and dry. It's another example of how Nike expands the market by adapting our most popular platforms to new audiences and serve consumer needs.

Other Running footwear successes include the Pegasus 33 and the Air Max 2017, which features a Flymesh upper and full-length Max Air unit. In apparel, products offering lightweight yet breathable warmth are showing increased popularity with athletes from the most elite to the everyday, highlighted by the Aeroloft and Sphere platforms.

And I would be remiss if I didn't mention the excitement we're seeing around the Apple Watch Nike+, as it sells well ahead of our plans.

Lastly, Mark mentioned the Air VaporMax, which is not only an amazing style in its own right, but an innovation platform that will fuel growth across the entire Nike Air family of products. I'm really excited about this platform, which will be in the market this Spring.

Next, Basketball. As the leader in basketball, we never settle. We know there's always work to be done.

Last year, we knew we didn't perform to our potential in basketball. Whilst we have a diverse portfolio across NIKE Basketball, Jordan and Sportswear, we recognized that two of our signature styles were not resonating with consumers to our expectations. We saw the opportunity, and we addressed it:

- First, we went back to the fundamentals and redesigned our products with stronger aesthetics and delivered better price value to our consumers. That work led to dynamic products like the Kyrie 2, the LeBron Soldier 10, the KD9, the Jordan 31, the Kobe AD and the Westbrook 0.2. All of these have been incredibly popular with consumers on and off the court.

- Second, we created demand and energy in the marketplace with our "Out of Nowhere" campaign.

- And third, we delivered all this powerfully through retail, for example, with our House of Hoops partnership with Foot Locker.

The end result…our basketball business is much healthier today than it's been over the past 18 months.

And the energy continues with the Kyrie 3 and the LeBron 14 generating off-the-charts anticipation. With the upcoming launch of our first new signature shoe in years, the Paul George 1… Get ready for even more consumer and commercial energy in NIKE Basketball over the next few months.

With all this strong sell-through combined with what's coming, we expect a return to growth in NIKE Basketball over the back half of the fiscal year.

At the same time, Jordan footwear continues to electrify the marketplace with product that generates excitement through vibrant storytelling. In Q2, this was highlighted by the global launch of the much-anticipated Space Jam 11 collection in both performance and lifestyle. And when combined with other releases this quarter – like the Jordan 1s, the True Blue 3s and the 9 in the original colorway – we surprised and delighted sneaker fans across the globe.

This is the power of what we do – the ability to drive energy through a combination of history, culture and performance. When we combine many of our hottest styles together, as we showed with our 12 Soles collection that launched in our Soho store, it brings together performance and sportswear, with a power no other brand can match. And our strong momentum in the next truly global sport is coming at the right time, as we approach the launch of our partnership with the NBA.

In Q2, our Sportswear category grew high-teens, its 12th consecutive quarter of double-digit growth.

Today, we're driving our Amplified Sports strategy, as we go deeper with our best products … mixing innovation and style … creating sneaker heat from Running to Basketball to Women's to Young Athletes.

As Mark mentioned, we have shown creativity and versatility in dimensionalizing our footwear franchises across these categories. We have also shown this ability in the marketplace by connecting these products to consumers with a twofold approach: we create energy through targeted releases while also giving consumers easy access through broader launches across the marketplace.

Throughout this work, we're seeing strong sell-through for silhouettes that mix our past with a modern simplicity – like the Presto Mid Utility, the Flyknit Racer and a new style, the LunarCharge, which we brought to market in roughly a quarter of the time it usually takes, thanks to our accelerated footwear creation capacity. That's the power of our Express Lane process.

We also had the successful launch of our "Beautiful Power" collection for her, which featured great styles like the Cortez Classic and Air Max Thea Ultra in all-black premium leather. At the same time, we drove traffic into our dedicated women's spaces with two exclusive city styles for the Air Max 90. All this work, and so much more, goes to our consistent efforts of serving women who covet sneaker style.

Before I move on from Sportswear, I want to make one very important point.... We continue to see extraordinary growth in our Sportswear Apparel business.... across Men's and Women's, up and down the price points, and fueled by our Fleece Collections.

This marketplace energy comes from the power and creativity we're using to expand what sport means to the lifestyle of today's consumer.

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

In Q2, North America revenue was up 3%. From the Cavs to the Cubs, sports in North America have never been more inspiring. And the energy is set to continue with the upcoming playoffs in college football and the NFL filled entirely with teams wearing Nike. As we continue to serve these athletes and celebrate these heroes and storylines, it's no surprise our Brand is so strong.

From a marketplace perspective, we're seeing a continued improvement with inventory down 4%. We continue to keep supply tight, which you'll see reflected in futures. As a result, we expect much stronger sell-through to the end-consumer, which ultimately results in stronger revenue growth. Andy will talk more about this in our guidance, but this is another area where we identified a challenge, attacked it and are now starting to see the returns.

Q2 growth in North America was led by DTC, where we experienced a strong start to the holiday season over the Black Friday weekend. Compared to last year, we saw double-digit traffic increases and higher conversion and dollars-per-transaction across our stores and Nike.com.

And our new Soho store in New York is not only a source of growth in this important market. It is a powerful look at the future of sport retail: product trials with experts, elevated personalized services, and heightened member engagement, all while seamlessly combining digital and physical. We create environments that bring our products and services together in a way that allows consumers to experience the Nike Brand in its most sublime state. And we are executing this strategy through our DTC businesses as well as with key strategic wholesale partners who share our vision.

We still see tremendous potential in North America, and with the strategies in place, we will grow both Nike and the overall marketplace.

Now let's turn to Western Europe, where we saw our 13th consecutive quarter of double-digit revenue growth, with strong growth across nearly all categories, led by Sportswear and Running.

Mark mentioned our first European Jordan store, in Paris. Just as in Soho, we see the Jordan Bastille store as the future of retail, featuring premium products and services like customization and interactive wear-testing.

And, as always, our footprint in football continues to expand across Europe, with our recent re-signing of the French, English and Turkish federations as well as the recent Golden Ball winner, Cristiano Ronaldo. And with the start of our new relationship with Chelsea Football Club next season, our brand in Europe is only getting stronger.

Lastly, Greater China continued its strong results with its 10th consecutive quarter of double-digit growth, highlighted by another quarter of triple-digit growth in Nike.com.

We had our biggest Singles Day ever, reaching nearly three times last year's sales.

Our success followed our decisions to feature exclusive product on NIKE.com and Nike-only stores and give early access to high-heat products for our Nike+ members.

And we also saw tremendous results with T-Mall.

The Greater China marketplace continues to be fueled by higher sports participation with 38,000 runners taking part in the Shanghai Marathon, while nearly four times that many consumers tried to sign up. Runners were introduced to Nike's premium services by customizing their Nike Pro Bras and creating custom shoes at the NIKEiD station, just to name a few.

In fact, I was in China a few weeks ago, and I met one athlete who achieved a personal dream to run the Shanghai marathon. What struck me wasn't just her desire to reach her potential, but the importance of Nike's role in meeting her complete lifestyle needs – to look good, to feel confident and to connect with others throughout her journey. I left China reminded of the amazing potential for our brand as we can move at her speed and authentically serve athletes like her.

All in all, we are still in our early days of unlocking the growth in this important geography.

In the end, we have the strategies in place that yield results. Consumers have so many choices, more than ever – which is why we are glad that we have the foundation in place to connect consumers with energy and excitement. We know what works, and we know how to create, amplify and sustain our opportunities.

Make no mistake: in 2017, we will stay on the offense. This mentality is one of our greatest competitive advantages -- that relentless drive to serve our athletes and consumers is what keeps us in the lead.

Thanks, now here's Andy.

Andy Campion:

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

The enduring passion for sport around the world and consumers desire to lead a more active lifestyle continue to fuel new opportunities for growth in our industry. And, the growth potential in our industry has always attracted competition.

That said, as Mark noted, Q2 was Nike's 28th consecutive quarter of growth. Each and every quarter over the past 7 years, Nike has grown despite strong competition within our industry, extreme macroeconomic volatility, discontinuities in the retail landscape, and rapidly evolving trends in consumer preferences. That track record does not happen by accident.

As the leading Brand in sport, "We are on the offense always." We take nothing for granted. We continuously evaluate how we can better leverage our unrivaled portfolio of businesses and competitive advantages to grow the market and win. From a Brand and business perspective, we are obsessed with staying one step ahead of consumer expectations, and maintaining that focus and pace is what ultimately separates Nike from the competition over the long haul. From a financial perspective, we are obsessed with delivering (1) strong growth, (2) expanding profitability, and (3) high returns on invested capital. We continue to manage all of the operating levers in our business to deliver across all three dimensions of our financial model, and that has afforded Nike unmatched scale and resources.

Like the world's best marathoners, the results that we post always reflect moments where we have pushed the pace … and moments where we took stock of the circumstances and made adjustments.

In the second quarter, we executed on the plan that we shared with you 90-days ago. We pushed the pace with innovation because, as Mark noted, there is no such thing as sustained growth without innovation. We also made important adjustments, for example, with respect to supply and demand management, to ensure the sustainability, profitability, and capital efficiency of our growth long term.

From a product innovation perspective, we launched several innovative and beautifully designed footwear and apparel styles across both our performance categories and sportswear. Perhaps most notably, we launched the HyperAdapt 1.0, which is an innovative product in its own right and also a glimpse into the future of Personalized Performance. As we look ahead to the second half of FY17, we will continue pushing the pace with products such the Air Vapor Max that merge innovation and style.

In Q2, we also innovated at retail. As we have said in the past, Nike's growth trajectory is not highly correlated with macroeconomic trends nor is our growth solely a function of market share. Our primary focus has always been on growing the overall market, creating greater capacity for the Nike Brand over the long term. Today, we see the potential to increasingly leverage digital to more personally and fully serve consumers, unlocking new growth and productivity within and well beyond the four walls of a retail store. As Trevor mentioned, in November, we opened Nike SoHo in New York, which sheds light on our vision for the future of retail.

Finally, we continued to innovate within our Supply Chain. Our investments in Manufacturing Revolution, our partnerships with Flex and Apollo, and the Speed & Agility initiatives that Mark referenced all enable us to bring product creation closer to the consumer … while also enhancing labor productivity and reducing materials waste. As the world becomes increasingly dynamic, we could not be more pleased with the head start that we have in terms of supply chain innovation.

While we pushed the pace with innovation in Q2, we also made important adjustments in areas where we knew we could be better. Trevor referred to the work we have done to reignite strong momentum in Nike Basketball.

We also took the actions required to return North America to a pull market. We have grown our business in North America for seven consecutive years. No other brand has near our scale or our proven ability to expand the market in this important Geography.

That said, we are relentlessly self-critical. Several factors led to elevated inventory in North America, including: the west coast port congestion, issues in our North American distribution center, third party retail discontinuities, and lower-than-expected sell through on a few key items last year, most notably two signature styles in Basketball.

The actions we have taken to rebalance our supply negatively impacted our Gross Margin over the past two quarters, but at Nike we manage for the long term. Based on the progress we have made, we now expect North America to continue growing in the second half of the fiscal year with a return to expanding Gross Margins and tighter inventory levels.

With that context, let's turn to a more detailed review of our Q2 financial results and our outlook going forward:

- In Q2, NIKE, Inc. Revenue increased over 6%. On a currency-neutral basis, Revenue grew 8% led by double-digit growth in Western Europe, Greater China and the Emerging Markets.
- Second quarter Diluted EPS of $0.50 increased 11% versus the prior year driven by

revenue growth, SG&A leverage, and a lower average share count.

• Gross Margin contracted approximately 140 basis points in the quarter, in line with our expectations. Full price average selling prices continued to expand. However, margin contracted overall due to higher product costs, FX headwinds, a higher mix of off-price versus the prior year, and the more discrete or temporary items that we referenced last quarter.

• Demand Creation decreased 1% for the quarter according to plan following significant Q1 investments in the Olympics and Euro Champs.

• Operating Overhead decreased 3% as our continued strategic investments are being funded by productivity gains as we increasingly "Edit to Amplify" within our core operations.

• The Effective Tax Rate for Q2 was 24.4%, compared to 19.1% for the same period last year, primarily due to an increased mix of U.S. earnings, which are generally subject to a higher tax rate.

• As of November 30th, Inventories were up 9%. Wholesale units grew just 1%. The remainder of the expansion in inventory was driven by a higher average cost due primarily to product mix as well as growth in support of our fast-growing DTC businesses.

Now, let's turn to the performance of a few key operating segments:

North America revenue grew 3% on both a reported and constant-currency basis to $3.7 billion with balanced growth across footwear and apparel. Growth was led by DTC, which grew 17%, with 10% comp store growth.

EBIT for North America increased 3% in the quarter as revenue growth, full-price gross margin expansion and SG&A leverage all contributed to increased profitability. These factors were partially offset by a higher mix of off-price versus the same period in the prior year.

In the second half of FY17, you will see evidence of the progress that we have made returning North America to a pull market. North America Revenue growth will continue to outpace Futures and that will be coupled with a return to gross margin expansion.

In Western Europe, revenue increased 12% on a currency-neutral basis as we continued to see strong multi-dimensional growth across the business – from footwear to apparel, performance categories to sportswear, wholesale to DTC, and across all territories. Standout categories for the quarter were Sportswear, Running, and Jordan.

On a reported basis, revenue increased 7%, while EBIT declined 23% reflecting the impact of transactional FX headwinds on Gross Margin, partially offset by SG&A leverage.

Our Emerging Markets geography grew 13% on a currency-neutral basis driven by double-digit growth across Sportswear, Running and Jordan and across the territories of SOCO, Korea, and Mexico.

On a reported basis, revenue and EBIT continued to be heavily impacted by FX headwinds. As a result, reported revenue increased 6%, while EBIT decreased 2%.

Finally, Greater China continues to deliver exceptional results. Currency-neutral Revenue grew 17% in the quarter, reflecting strong growth across nearly all dimensions of our business. Most categories grew double-digits and our DTC businesses delivered another quarter of tremendous growth, up 42%. Nike is the leading brand in China with the deepest, most authentic connections to the Chinese consumer. We expect strong and steady growth going forward in China as we serve consumers through China's fast growing digital ecosystem and our continued expansion of Category-oriented Nike-Branded concepts at retail.

On a reported basis, revenue grew 12% and EBIT expanded 15% due to strong revenue growth and SG&A leverage.

Over the balance of the fiscal year we will continue to manage for the long-term with our focus on ensuring sustainable, profitable, capital efficient growth.

As for specific guidance:

For the full year, we continue to expect reported Revenue growth in the high single-digit range. That said, FX headwinds from further strengthening of the US dollar have put downward pressure on our second half Revenue forecast. While our hedges will delay and partially mitigate the impact of FX on our profitability, we do not hedge the Revenue line item per se. On a currency-neutral basis, we continue to expect Revenue growth for the full year to be within the high single to low double-digit range. For Q3, we expect reported revenue to grow squarely in the mid-single digit range.

As we shared on our last Earnings conference call, we are changing the sequencing of our communications regarding NIKE Brand Futures Orders. Futures Orders will now be posted on our Investor Relations website following this call in the same detail as previously reported in our Earnings Release. As you will see, Currency-neutral Futures Orders are growing 2%, driven by a 1% increase in units, with increases in average selling prices contributing the other 1 percentage point of growth. Futures Orders are flat versus prior year on a reported basis As you know, Futures Orders growth and reported Revenue growth have become increasingly less correlated. That lesser correlation is evidenced by the roughly 5 percentage point disparity between our guidance for Q3 reported Revenue growth and our Futures growth on a reported basis.

The longer term more systemic drivers of the disparity include: FIRST impacts related to our evolving DTC versus wholesale business mix. For example, DTC Futures are reported on a wholesale equivalent basis; however, reported Revenue for DTC is recognized based upon the full retail price to consumers. Therefore, as the mix of Futures shifts toward DTC, Nike's overall reported revenue will inherently grow faster than Futures. SECOND, material dimensions of our Revenue that are not included within Futures Orders such as Converse, Nike Factory Stores and our shorter lead time or At Once businesses.

There can also be temporary anomalies between Futures Orders and reported Revenue growth. One of the most notable is consumer sell through. Take, for example, North America, where Futures Orders are down 4%, but we expect continued Revenue growth over the second half of this fiscal year. In the second half of FY16, we had elevated inventory levels for the reasons we have detailed. In the second half of FY17, we now have tighter supply against continuing strong demand for Nike products, and that will have a favorable impact on revenue growth. We will have greater yield on our Futures as a result of lower year-over-year cancellations, returns, and discounts. Other temporary anomalies can include the timing of buys related to launches, key sport moments, and other events.

In short, the key takeaway is that our Revenue guidance reflects a much more comprehensive outlook for our business than using reported Futures growth as a proxy.

Turning to Gross Margin, for the second half of the fiscal year we expect less contraction than we experienced in the first half as we see stronger full-price sell-through to consumers. For Q3, we expect Gross Margin to contract by approximately 100 to 125 bps driven primarily by FX. The fundamental drivers of Nike's long term gross margin expansion remain intact, including higher average selling prices, product cost optimization through our Manufacturing Revolution efforts, and the positive mix benefit associated with our fast-growing DTC businesses.

For total SG&A, we now expect full year growth in the low single to mid single-digit range as we "Edit to Amplify." We expect Q3 SG&A to grow in the mid-single to high single-digits.

We expect Other Income net of interest expense to be approximately $80M for the full year and approximately zero in Q3.

We continue to expect our Effective Tax Rate will be approximately 17% for the full year. For Q3 we expect the rate to be approximately 18% to 20%.

As evidenced by our Q2 results and our outlook for the balance of the year, we continue to be on the offense focused on driving sustainable, profitable, capital-efficient growth over the long term.

With that, we'll now open the call for your questions.