

NIKE, Inc.
CONSOLIDATED STATEMENTS OF INCOME

<i>(Dollars in millions, except per share data)</i>	THREE MONTHS ENDED		% Change
	8/31/2017	8/31/2016	
Revenues	\$ 9,070	\$ 9,061	0%
Cost of sales	5,108	4,938	3%
Gross profit	3,962	4,123	-4%
<i>Gross margin</i>	<i>43.7%</i>	<i>45.5%</i>	
Demand creation expense	855	1,041	-18%
Operating overhead expense	2,001	1,856	8%
Total selling and administrative expense	2,856	2,897	-1%
<i>% of revenues</i>	<i>31.5%</i>	<i>32.0%</i>	
Interest expense (income), net	16	7	—
Other expense (income), net	18	(62)	—
Income before income taxes	1,072	1,281	-16%
Income tax expense	122	32	281%
<i>Effective tax rate</i>	<i>11.4%</i>	<i>2.5%</i>	
NET INCOME	\$ 950	\$ 1,249	-24%
Earnings per common share:			
Basic	\$ 0.58	\$ 0.75	-23%
Diluted	\$ 0.57	\$ 0.73	-22%
Weighted average common shares outstanding:			
Basic	1,639.1	1,672.0	
Diluted	1,676.9	1,708.9	
Dividends declared per common share	\$ 0.18	\$ 0.16	

NIKE, Inc.

CONSOLIDATED BALANCE SHEETS

<i>(Dollars in millions)</i>	August 31, 2017	August 31, 2016	% Change
ASSETS			
Current assets:			
Cash and equivalents	\$ 3,413	\$ 2,659	28%
Short-term investments	2,106	2,128	-1%
Accounts receivable, net	3,871	3,526	10%
Inventories	5,211	4,896	6%
Prepaid expenses and other current assets	1,591	1,380	15%
Total current assets	16,192	14,589	11%
Property, plant and equipment, net	4,086	3,572	14%
Identifiable intangible assets, net	283	284	0%
Goodwill	139	139	0%
Deferred income taxes and other assets	2,947	2,572	15%
TOTAL ASSETS	\$ 23,647	\$ 21,156	12%
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	\$ 7	\$ 44	-84%
Notes payable	335	22	—
Accounts payable	2,116	2,088	1%
Accrued liabilities	3,501	3,147	11%
Income taxes payable	97	62	56%
Total current liabilities	6,056	5,363	13%
Long-term debt	3,472	1,993	74%
Deferred income taxes and other liabilities	2,126	1,635	30%
Redeemable preferred stock	—	—	—
Shareholders' equity	11,993	12,165	-1%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 23,647	\$ 21,156	12%

NIKE, Inc.

DIVISIONAL REVENUES¹

(Dollars in millions)	THREE MONTHS ENDED		%	% Change
	8/31/2017	8/31/2016	Change	Excluding Currency Changes ²
North America				
Footwear	\$ 2,434	\$ 2,518	-3%	-3%
Apparel	1,299	1,317	-1%	-1%
Equipment	191	196	-3%	-3%
Total	3,924	4,031	-3%	-3%
Europe, Middle East & Africa				
Footwear	1,471	1,457	1%	2%
Apparel	743	684	9%	10%
Equipment	130	121	7%	8%
Total	2,344	2,262	4%	5%
Greater China				
Footwear	761	710	7%	10%
Apparel	309	269	15%	18%
Equipment	38	41	-7%	-3%
Total	1,108	1,020	9%	12%
Asia Pacific & Latin America				
Footwear	827	787	5%	6%
Apparel	301	279	8%	9%
Equipment	61	65	-6%	-5%
Total	1,189	1,131	5%	6%
Global Brand Divisions³	20	15	33%	16%
TOTAL NIKE BRAND	8,585	8,459	1%	2%
Converse	483	574	-16%	-16%
Corporate ⁴	2	28	—	—
TOTAL NIKE, INC. REVENUES	\$ 9,070	\$ 9,061	0%	0%
TOTAL NIKE BRAND				
Footwear	\$ 5,493	\$ 5,472	0%	1%
Apparel	2,652	2,549	4%	5%
Equipment	420	423	-1%	0%
Global Brand Divisions ³	20	15	33%	16%
TOTAL NIKE BRAND REVENUES	\$ 8,585	\$ 8,459	1%	2%

¹ Certain prior year amounts have been reclassified to conform to fiscal 2018 presentation. This includes reclassified operating segment data to reflect the changes in the Company's operating structure, which became effective June 1, 2017. These changes had no impact on previously reported consolidated results of operations or shareholders' equity.

² The percentage change has been calculated using actual exchange rates in use during the comparative prior year period to enhance the visibility of the underlying business trends by excluding the impact of translation arising from foreign currency exchange rate fluctuations, which is considered a non-GAAP financial measure.

³ Global Brand Divisions revenues are primarily attributable to NIKE Brand licensing businesses that are not part of a geographic operating segment.

⁴ 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 TAXES^{1,2}

<i>(Dollars in millions)</i>	THREE MONTHS ENDED		%
	8/31/2017	8/31/2016	Change
North America	\$ 1,002	\$ 1,004	0%
Europe, Middle East & Africa	451	485	-7%
Greater China	394	371	6%
Asia Pacific & Latin America	260	209	24%
Global Brand Divisions ³	(675)	(771)	12%
TOTAL NIKE BRAND	1,432	1,298	10%
Converse	89	153	-42%
Corporate ⁴	(433)	(163)	-166%
TOTAL NIKE, INC. EARNINGS BEFORE INTEREST AND TAXES	1,088	1,288	-16%
Interest expense (income), net	16	7	—
TOTAL NIKE, INC. INCOME BEFORE INCOME TAXES	\$ 1,072	\$ 1,281	-16%

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.

² Certain prior year amounts have been reclassified to conform to fiscal 2018 presentation. This includes reclassified operating segment data to reflect the changes in the Company's operating structure, which became effective June 1, 2017. These changes had no impact on previously reported consolidated results of operations or shareholders' equity.

³ 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.

⁴ 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. Return on Invested Capital Calculation (Dollars in millions)																					
	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	Q2'17	Q3'17	Q4'17	Q1'18
Continuing operations:																					
Revenues	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	8,180	8,432	8,677	9,070
Operating expenses:																					
Cost of sales	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	4,564	4,682	4,854	5,108
Selling and administrative expense	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	2,505	2,496	2,665	2,856
Restructuring charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible and other asset impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net operating profit	747	691	870	911	1,074	735	934	937	1,241	889	1,047	998	1,418	941	1,123	1,020	1,226	1,111	1,254	1,158	1,106
Other (income) expense, net	(29)	(17)	17	13	28	13	45	17	3	2	(5)	(58)	(31)	(34)	(17)	(58)	(62)	(18)	(88)	(28)	18
Earnings before interest and taxes	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	1,129	1,342	1,186	1,088
Tax rate	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%	24.4%	13.8%	13.7%	11.4%
Taxes calculated	214	190	195	206	262	182	200	216	269	225	256	188	267	186	186	228	32	276	185	162	124
Trailing 4 quarters taxes*	766	806	792	805	853	845	850	860	867	910	966	938	936	897	827	867	632	722	721	655	747
Earnings before interest and after taxes from continuing operations	562	518	658	692	784	540	689	704	969	662	796	868	1,182	789	954	850	1,256	853	1,157	1,024	964
Earnings before interest and after taxes from discontinued operations	-	(137)	204	(28)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Earnings before interest and after taxes	562	381	862	664	784	540	689	704	969	662	796	868	1,182	789	954	850	1,256	853	1,157	1,024	964
Trailing 4 quarters earnings before interest and after taxes*	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	3,913	4,116	4,290	3,998
	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	Q2'17	Q3'17	Q4'17	Q1'18
Total NIKE Inc. assets	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	22,652	23,152	23,259	23,647
Less:																					
Cash and equivalents and short-term investments	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	5,943	6,160	6,179	5,519
Accounts payable	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	2,033	1,938	2,048	2,116
Accrued liabilities	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	3,076	3,228	3,011	3,501
Income taxes payable	99	31	122	84	195	30	27	432	250	38	33	71	75	41	35	85	62	52	76	84	97
Deferred income taxes and other liabilities	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	1,631	1,687	1,907	2,126
Liabilities of discontinued operations	-	198	62	18	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plus:																					
Net debt adjustment****	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	2,406	2,659	2,377	1,705
Invested capital	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	12,323	12,722	12,407	11,993
Trailing 5 quarters invested capital**	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	12,490	12,354	12,375	12,322
Return on invested capital***	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%	31.3%	33.3%	34.7%	32.4%
* 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	3,267	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	5,943	6,160	6,179	5,519
Less:																					
Long-term debt	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	3,473	3,472	3,471	3,472
Notes payable	129	100	103	121	111	180	119	167	146	93	61	74	23	99	-	1	22	20	23	325	335
Current portion of long-term debt	9	58	57	57	57	7	7	7	6	110	108	107	106	5	7	44	44	44	6	6	7
Net debt adjustment	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	2,406	2,659	2,377	1,705