

NIKE, Inc.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

<i>(Dollars in millions, except per share data)</i>	THREE MONTHS ENDED		%
	8/31/2018	8/31/2017	Change
Revenues	\$ 9,948	\$ 9,070	10%
Cost of sales	5,551	5,108	9%
Gross profit	4,397	3,962	11%
<i>Gross margin</i>	<i>44.2%</i>	<i>43.7%</i>	
Demand creation expense	964	855	13%
Operating overhead expense	2,099	2,001	5%
Total selling and administrative expense	3,063	2,856	7%
<i>% of revenues</i>	<i>30.8%</i>	<i>31.5%</i>	
Interest expense (income), net	11	16	—
Other expense (income), net	53	18	—
Income before income taxes	1,270	1,072	18%
Income tax expense	178	122	46%
<i>Effective tax rate</i>	<i>14.0%</i>	<i>11.4%</i>	
NET INCOME	\$ 1,092	\$ 950	15%
Earnings per common share:			
Basic	\$ 0.69	\$ 0.58	19%
Diluted	\$ 0.67	\$ 0.57	18%
Weighted average common shares outstanding:			
Basic	1,594.0	1,639.1	
Diluted	1,634.4	1,676.9	
Dividends declared per common share	\$ 0.20	\$ 0.18	

NIKE, Inc.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(Dollars in millions)</i>	August 31, 2018	August 31, 2017	% Change
ASSETS			
Current assets:			
Cash and equivalents	\$ 3,282	\$ 3,413	-4%
Short-term investments	987	2,106	-53%
Accounts receivable, net	4,330	3,871	12%
Inventories	5,227	5,211	0%
Prepaid expenses and other current assets	1,675	1,591	5%
Total current assets	15,501	16,192	-4%
Property, plant and equipment, net	4,487	4,086	10%
Identifiable intangible assets, net	284	283	0%
Goodwill	154	139	11%
Deferred income taxes and other assets	2,057	2,947	-30%
TOTAL ASSETS	\$ 22,483	\$ 23,647	-5%
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	\$ 6	\$ 7	-14%
Notes payable	13	335	-96%
Accounts payable	2,333	2,116	10%
Accrued liabilities	4,174	3,501	19%
Income taxes payable	182	97	88%
Total current liabilities	6,708	6,056	11%
Long-term debt	3,467	3,472	0%
Deferred income taxes and other liabilities	3,316	2,126	56%
Redeemable preferred stock	—	—	—
Shareholders' equity	8,992	11,993	-25%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 22,483	\$ 23,647	-5%

NIKE, Inc.
DIVISIONAL REVENUES
(Unaudited)

<i>(Dollars in millions)</i>	THREE MONTHS ENDED		%	% Change
	8/31/2018	8/31/2017	Change	Excluding Currency Changes ¹
North America				
Footwear	\$ 2,555	\$ 2,434	5%	5%
Apparel	1,407	1,299	8%	8%
Equipment	183	191	-4%	-4%
Total	4,145	3,924	6%	6%
Europe, Middle East & Africa				
Footwear	1,642	1,471	12%	10%
Apparel	830	743	12%	10%
Equipment	135	130	4%	3%
Total	2,607	2,344	11%	9%
Greater China				
Footwear	958	761	26%	22%
Apparel	380	309	23%	19%
Equipment	41	38	8%	2%
Total	1,379	1,108	24%	20%
Asia Pacific & Latin America				
Footwear	881	827	7%	14%
Apparel	332	301	10%	18%
Equipment	57	61	-7%	-1%
Total	1,270	1,189	7%	14%
Global Brand Divisions²	16	20	-20%	-27%
TOTAL NIKE BRAND	9,417	8,585	10%	10%
Converse	527	483	9%	7%
Corporate ³	4	2	—	—
TOTAL NIKE, INC. REVENUES	\$ 9,948	\$ 9,070	10%	9%
TOTAL NIKE BRAND				
Footwear	\$ 6,036	\$ 5,493	10%	10%
Apparel	2,949	2,652	11%	11%
Equipment	416	420	-1%	-1%
Global Brand Divisions ²	16	20	-20%	-27%
TOTAL NIKE BRAND REVENUES	\$ 9,417	\$ 8,585	10%	10%

¹ The percent 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.

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 the Company's central foreign exchange risk management program.

NIKE, Inc.
EARNINGS BEFORE INTEREST AND TAXES¹
(Unaudited)

<i>(Dollars in millions)</i>	THREE MONTHS ENDED		%
	8/31/2018	8/31/2017	Change
North America	\$ 1,077	\$ 1,002	7%
Europe, Middle East & Africa	501	451	11%
Greater China	502	394	27%
Asia Pacific & Latin America	323	260	24%
Global Brand Divisions ²	(818)	(675)	-21%
TOTAL NIKE BRAND	1,585	1,432	11%
Converse	98	89	10%
Corporate ³	(402)	(433)	7%
TOTAL NIKE, INC. EARNINGS BEFORE INTEREST AND TAXES	1,281	1,088	18%
Interest expense (income), net	11	16	—
TOTAL NIKE, INC. INCOME BEFORE INCOME TAXES	\$ 1,270	\$ 1,072	18%

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 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. Return on Invested Capital Calculation (*Unaudited*)

(Dollars in millions)	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	Q2'18	Q3'18	Q4'18	Q1'19
Continuing operations:																					
Revenues	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	8,554	8,984	9,789	9,948
Operating expenses:																					
Cost of sales	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	4,876	5,046	5,411	5,551
Selling and administrative expense	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	2,768	2,767	3,120	3,063
Net operating profit	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	910	1,171	1,258	1,334
Other (income) expense, net	28	13	45	17	3	2	(5)	(58)	(31)	(34)	(17)	(58)	(62)	(18)	(88)	(28)	18	18	(1)	31	53
Earnings before interest and taxes	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	892	1,172	1,227	1,281
Tax rate	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%	12.7%	179.5%	6.4%	14.0%
Taxes calculated	262	182	200	216	269	225	256	188	267	186	186	228	32	276	185	162	124	113	2,104	79	179
Trailing 4 quarters taxes ¹	853	845	850	860	867	910	966	938	936	897	827	867	632	722	721	655	747	584	2,503	2,420	2,475
Earnings before interest and after taxes from continuing operations	784	540	689	704	969	662	796	868	1,182	789	954	850	1,256	853	1,157	1,024	964	779	(932)	1,148	1,102
Earnings before interest and after taxes from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Earnings before interest and after taxes	784	540	689	704	969	662	796	868	1,182	789	954	850	1,256	853	1,157	1,024	964	779	(932)	1,148	1,102
Trailing 4 quarters earnings before interest and after taxes ¹	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	3,924	1,835	1,959	2,097
	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	Q2'18	Q3'18	Q4'18	Q1'19
Total assets	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	24,055	22,552	22,536	22,483
Less:																					
Cash and equivalents and short-term investments	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	6,389	4,751	5,245	4,269
Accounts payable	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	2,141	1,961	2,279	2,333
Accrued liabilities	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	3,278	3,727	3,269	4,174
Income taxes payable	195	30	27	432	250	38	33	71	75	41	35	85	62	52	76	84	97	92	78	150	182
Deferred income taxes and other liabilities	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	2,075	3,518	3,216	3,316
Liabilities of discontinued operations	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plus:																					
Net debt adjustment ⁴	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	1,678	1,265	1,435	783
Invested capital	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	11,758	9,782	9,812	8,992
Trailing 5 quarters invested capital ²	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	12,241	11,732	11,150	10,467
Return on invested capital ^{3,5}	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%	32.1%	15.6%	17.6%	20.0%

¹ Equals the sum of the current quarter and previous 3 quarters

² Equals the simple average of the current and previous 4 quarters

³ Equals the trailing 4 quarters earnings before interest and after taxes divided by trailing 5 quarters average invested capital

⁴ See calculation of Net debt adjustment below

⁵ Includes the impact of the Tax Cuts and Jobs Act beginning in Q3 FY18. Excluding the impact of the Tax Cuts and Jobs Act, our adjusted return on invested capital would have been approximately 35% for the trailing twelve months as of Q1 FY19, which is a non-GAAP financial measure. This non-GAAP financial measure represents our estimate of the return on invested capital excluding the impact of the Tax Cuts and Jobs Act, primarily the transition tax and remeasurement of deferred income tax assets and liabilities. We believe this metric provides useful information to investors and reflects how management evaluates our business performance.

Cash and equivalents and short-term investments	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	6,389	4,751	5,245	4,269
Less:																					
Long-term debt	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	3,472	3,469	3,468	3,467
Notes payable	111	180	119	167	146	93	61	74	23	99	-	1	22	20	23	325	335	1,229	11	336	13
Current portion of long-term debt	57	7	7	7	6	110	108	107	106	5	7	44	44	44	6	6	7	10	6	6	6
Net debt adjustment	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	1,678	1,265	1,435	783