

NIKE, Inc.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	THREE MONTHS ENDED		%
<i>(Dollars in millions, except per share data)</i>	8/31/2019	8/31/2018	Change
Revenues	\$ 10,660	\$ 9,948	7%
Cost of sales	5,789	5,551	4%
Gross profit	4,871	4,397	11%
<i>Gross margin</i>	45.7%	44.2%	
Demand creation expense	1,018	964	6%
Operating overhead expense	2,310	2,099	10%
Total selling and administrative expense	3,328	3,063	9%
<i>% of revenues</i>	31.2%	30.8%	
Interest expense (income), net	15	11	—
Other (income) expense, net	(33)	53	—
Income before income taxes	1,561	1,270	23%
Income tax expense	194	178	9%
<i>Effective tax rate</i>	12.4%	14.0%	
NET INCOME	\$ 1,367	\$ 1,092	25%
Earnings per common share:			
Basic	\$ 0.87	\$ 0.69	26%
Diluted	\$ 0.86	\$ 0.67	28%
Weighted average common shares outstanding:			
Basic	1,562.4	1,594.0	
Diluted	1,597.5	1,634.4	
Dividends declared per common share	\$ 0.22	\$ 0.20	

NIKE, Inc.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(Dollars in millions)</i>	August 31, 2019	August 31, 2018	% Change
ASSETS			
Current assets:			
Cash and equivalents	\$ 3,446	\$ 3,282	5%
Short-term investments	198	987	-80%
Accounts receivable, net	4,656	4,330	8%
Inventories	5,835	5,227	12%
Prepaid expenses and other current assets	2,093	1,675	25%
Total current assets	16,228	15,501	5%
Property, plant and equipment, net	4,615	4,487	3%
Operating lease right-of-use assets, net	2,832	—	—
Identifiable intangible assets, net	279	284	-2%
Goodwill	224	154	45%
Deferred income taxes and other assets	2,071	2,057	1%
TOTAL ASSETS	\$ 26,249	\$ 22,483	17%
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	\$ 6	\$ 6	0%
Notes payable	250	13	—
Accounts payable	2,716	2,333	16%
Current portion of operating lease liabilities	427	—	—
Accrued liabilities	4,455	4,174	7%
Income taxes payable	216	182	19%
Total current liabilities	8,070	6,708	20%
Long-term debt	3,463	3,467	0%
Operating lease liabilities	2,675	—	—
Deferred income taxes and other liabilities	2,841	3,316	-14%
Redeemable preferred stock	—	—	—
Shareholders' equity	9,200	8,992	2%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 26,249	\$ 22,483	17%

NIKE, Inc.
DIVISIONAL REVENUES
(Unaudited)

<i>(Dollars in millions)</i>	THREE MONTHS ENDED		%	% Change
	8/31/2019	8/31/2018	Change	Excluding Currency Changes ¹
North America				
Footwear	\$ 2,669	\$ 2,555	4%	4%
Apparel	1,431	1,407	2%	2%
Equipment	193	183	5%	5%
Total	4,293	4,145	4%	4%
Europe, Middle East & Africa				
Footwear	1,758	1,642	7%	13%
Apparel	869	830	5%	10%
Equipment	146	135	8%	13%
Total	2,773	2,607	6%	12%
Greater China				
Footwear	1,164	958	22%	27%
Apparel	465	380	22%	28%
Equipment	50	41	22%	29%
Total	1,679	1,379	22%	27%
Asia Pacific & Latin America				
Footwear	930	881	6%	12%
Apparel	356	332	7%	15%
Equipment	59	57	4%	10%
Total	1,345	1,270	6%	13%
Global Brand Divisions²	6	16	-63%	-58%
TOTAL NIKE BRAND	10,096	9,417	7%	10%
Converse	555	527	5%	8%
Corporate ³	9	4	—	—
TOTAL NIKE, INC. REVENUES	\$ 10,660	\$ 9,948	7%	10%
TOTAL NIKE BRAND				
Footwear	\$ 6,521	\$ 6,036	8%	11%
Apparel	3,121	2,949	6%	9%
Equipment	448	416	8%	11%
Global Brand Divisions ²	6	16	-63%	-58%
TOTAL NIKE BRAND REVENUES	\$ 10,096	\$ 9,417	7%	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 consist primarily 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		%
	8/31/2019	8/31/2018	Change
North America	\$ 1,100	\$ 1,077	2%
Europe, Middle East & Africa	609	501	22%
Greater China	669	502	33%
Asia Pacific & Latin America	341	323	6%
Global Brand Divisions ²	(857)	(818)	-5%
TOTAL NIKE BRAND¹	1,862	1,585	17%
Converse	138	98	41%
Corporate ³	(424)	(402)	-5%
TOTAL NIKE, INC. EARNINGS BEFORE INTEREST AND TAXES¹	1,576	1,281	23%
Interest expense (income), net	15	11	—
TOTAL NIKE, INC. INCOME BEFORE INCOME TAXES	\$ 1,561	\$ 1,270	23%

¹ The Company evaluates the 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. Total NIKE Brand EBIT and Total NIKE, Inc. EBIT are considered non-GAAP financial measures and are being provided as management believes this additional information should be considered when assessing the Company’s underlying business performance and trends. References to EBIT should not be considered in isolation or as a substitute for other financial measures calculated and presented in accordance with U.S. GAAP and may not be comparable to similarly titled non-GAAP measures used by other companies.

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 primarily 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^{1,2}
(Unaudited)

	FOR THE TRAILING FOUR QUARTERS ENDED	
	8/31/2019	5/31/2019
<i>(Dollars in millions)</i>		
Numerator		
Net income	4,304	4,029
Add: Interest expense (income), net	53	49
Add: Income tax expense	788	772
Earnings before interest and taxes	5,145	4,850
Income tax adjustment ³	(795)	(779)
Earnings before interest and after taxes	4,350	4,071

	AVERAGE FOR THE TRAILING FIVE QUARTERS ENDED	
	8/31/2019	5/31/2019
<i>(Dollars in millions)</i>		
Denominator		
Total debt ⁴	6,724	6,766 ⁵
Add: Shareholders' equity	8,984	9,107
Less: Cash and equivalents and Short-term investments	4,133	4,453
Total invested capital	11,575	11,420

RETURN ON INVESTED CAPITAL	37.6 %	35.6 %
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¹ROIC represents a performance measure that management believes is useful information in understanding the Company's ability to effectively manage invested capital. ROIC is considered a non-GAAP financial measure and should not be considered in isolation or as a substitute for other financial measures calculated and presented in accordance with U.S. GAAP and may not be comparable to similarly titled non-GAAP measures used by other companies.

² On June 1, 2019, the Company adopted Accounting Standards Codification (ASC) No. 842, Leases, which among other things, requires operating leases to be recorded as liabilities on the Consolidated Balance Sheets. Accordingly, the Company has updated the way in which it calculates ROIC to reflect the adoption of the new standard. For additional information on the impact of the adoption of ASC 842, see the Company's annual report on Form 10-K filed with the U.S. Securities and Exchange Commission on July 23, 2019. For the Company's historical ROIC calculation see <http://investors.nike.com>.

³ Equals Earnings before interest and taxes multiplied by the effective tax rate as of the respective quarter end.

⁴ Total debt includes the following: 1) Current portion of long-term debt, 2) Notes Payable, 3) Current portion of operating lease liabilities, 4) Long-term debt and 5) Operating lease liabilities.

⁵ Due to the adoption of ASC 842, for comparability, Total debt for each of the trailing 5 quarters ended 5/31/2019 includes approximately \$3.2 billion, which represents the current and long-term portion of the Company's operating lease liabilities as of June 1, 2019.