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NIKE INC
Form 10-Q
April 04, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

FOR QUARTERLY REPORTS UNDER SECTION 13 OR 15(d) OF
THE SECURITIES AND EXCHANGE ACT OF 1934

For the Quarter Ended February 28, 2007
Commission file number - 1-10635

NIKE, Inc.

(Exact name of registrant as specified in its charter)

OREGON

93-0584541

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

One Bowerman Drive, Beaverton, Oregon

97005-6453

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (503) 671-6453

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15 (d) of the Securities Exchange
Act of 1934 during the preceding 12 months (or for such shorter period
that the registrant was required to file such reports), and (2) has been
subject to such filing requirements for the past 90 days.

Yes ☒ No ☐ .

Indicate by check mark whether the registrant is a large accelerated filer, an
accelerated filer, or a non-accelerated filer.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined
in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒ .

Common Stock shares outstanding as of February 28, 2007 were:

Class A	117,733,388
Class B	387,778,304

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505,511,692

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PART 1 - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

NIKE, Inc.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	February 28, 2007	May 31, 2006
	(in millions)	
ASSETS		
Current assets:		
Cash and equivalents	\$1,879.2	\$ 954.2
Short-term investments	390.5	1,348.8
Accounts receivable, net	2,532.0	2,395.9
Inventories (Note 2)	2,167.8	2,076.7
Deferred income taxes	184.4	203.3
Prepaid expenses and other current assets	486.2	380.1
Total current assets	7,640.1	7,359.0
Property, plant and equipment	3,568.9	3,408.3
Less accumulated depreciation	1,914.3	1,750.6
Property, plant and equipment, net	1,654.6	1,657.7
Identifiable intangible assets, net (Note 3)	406.1	405.5
Goodwill (Note 3)	130.8	130.8
Deferred income taxes and other assets	387.0	316.6
Total assets	\$10,218.6	\$9,869.6
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 30.6	\$ 255.3
Notes payable	96.0	43.4
Accounts payable	800.9	952.2
Accrued liabilities (Note 4)	1,310.5	1,286.9
Income taxes payable	74.7	85.5
Total current liabilities	2,312.7	2,623.3
Long-term debt	419.4	410.7
Deferred income taxes and other liabilities	638.2	550.1
Commitments and contingencies (Note 10)	--	--

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Redeemable preferred stock	0.3	0.3
Shareholders' equity:		
Common stock at stated value:		
Class A convertible-117.7 and		
127.8 million shares outstanding	0.1	0.1
Class B-387.8 and 384.2 million shares		
outstanding	2.7	2.7
Capital in excess of stated value	1,880.9	1,447.3
Accumulated other comprehensive income (Note 6)	146.1	121.7
Retained earnings	4,818.2	4,713.4
Total shareholders' equity	6,848.0	6,285.2
Total liabilities and shareholders' equity	\$10,218.6	\$9,869.6
	=====	=====

The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of this statement.

NIKE, Inc.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2007	2006	2007	2006
	(in millions, except per share data)			
Revenues	\$3,926.9	\$3,612.8	\$11,942.7	\$10,949.5
Cost of sales	2,191.7	2,038.7	6,701.2	6,115.9
Gross margin	1,735.2	1,574.1	5,241.5	4,833.6
Selling and administrative expense	1,243.3	1,086.6	3,756.7	3,245.7
Interest income, net	(15.8)	(8.4)	(43.0)	(20.5)
Other income, net	(10.3)	(10.7)	(13.3)	(22.0)
Income before income taxes	518.0	506.6	1,541.1	1,630.4
Income taxes (Note 5)	167.2	180.8	487.5	571.2
Net income	\$ 350.8	\$ 325.8	\$1,053.6	\$1,059.2
	=====	=====	=====	=====
Basic earnings per common share (Note 8)	\$ 0.69	\$ 0.63	\$ 2.09	\$ 2.04
	=====	=====	=====	=====
Diluted earnings per common share (Note 8)	\$ 0.68	\$ 0.62	\$ 2.07	\$ 2.00
	=====	=====	=====	=====
Dividends declared per common share	\$ 0.185	\$ 0.155	\$ 0.525	\$ 0.435
	=====	=====	=====	=====

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The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of this statement.

NIKE, Inc.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended February 28,	
	2007	2006
	(in millions)	
Cash provided (used) by operations:		
Net income	\$1,053.6	\$1,059.2
Income charges (credits) not affecting cash:		
Depreciation	199.2	206.4
Deferred income taxes	61.1	4.6
Stock-based compensation (Note 7)	119.1	--
Amortization and other	(10.0)	27.3
Tax benefit from exercise of stock options	--	49.2
Changes in certain working capital components and other assets and liabilities:		
Increase in accounts receivable	(102.7)	(95.5)
Increase in inventories	(108.8)	(198.0)
Increase in prepaid expenses and other assets	(139.6)	(135.6)
(Decrease)increase in accounts payable, accrued liabilities and income taxes payable	(157.1)	35.5
Cash provided by operations	914.8	953.1
Cash provided (used) by investing activities:		
Purchases of investments	(1,193.7)	(1,379.8)
Maturities of investments	2,170.2	1,279.0
Additions to property, plant and equipment	(217.1)	(232.1)
Proceeds from the sale of property, plant and equipment	27.8	1.2
Increase in other assets and liabilities, net	(9.2)	(24.2)
Cash provided (used) by investing activities	778.0	(355.9)
Cash provided (used) by financing activities:		
Proceeds from issuance of long-term debt	41.5	--
Reductions in long-term debt, including current portion	(254.2)	(4.6)
Increase in notes payable	49.0	16.8
Proceeds from exercise of stock options and other stock issuances	275.2	188.6

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Excess tax benefits from share-based payment arrangements	48.3	--
Repurchase of common stock	(704.6)	(511.0)
Dividends on common stock	(250.2)	(210.8)
Cash used by financing activities	(795.0)	(521.0)
Effect of exchange rate changes on cash	27.2	7.8
Net increase in cash and equivalents	925.0	84.0
Cash and equivalents, beginning of period	954.2	1,388.1
Cash and equivalents, end of period	\$1,879.2	\$1,472.1
	=====	=====

The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of this statement.

NIKE, Inc.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

Basis of presentation:

The accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, necessary for a fair statement of the results of operations for the interim period. The year-end condensed consolidated balance sheet data as of May 31, 2006 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The interim financial information and notes thereto should be read in conjunction with the Company's latest Annual Report on Form 10-K. The results of operations for the nine months ended February 28, 2007 are not necessarily indicative of results to be expected for the entire year.

On February 15, 2007 the Board of Directors declared a two-for-one stock split of the Company's Class A and Class B common shares, which was effected in the form of a 100% common stock dividend distributed on April 2, 2007. All references in the accompanying consolidated financial statements to share and per share amounts have been retroactively restated to reflect the two-for-one stock split.

Recently Issued Accounting Standards:

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the Company's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." The provisions of FIN 48 are effective for the fiscal year beginning June 1, 2007. The Company is currently evaluating the impact of the provisions of FIN 48.

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In June 2006, the FASB ratified the consensus reached on Emerging Issues Task Force ("EITF") Issue No. 06-2, "Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43" ("EITF 06-2"). EITF 06-2 clarifies recognition guidance on the accrual of employees' rights to compensated absences under a sabbatical or other similar benefit arrangement. The provisions of EITF 06-2 are effective for the fiscal year beginning June 1, 2007 and will be applied through a cumulative effect adjustment to retained earnings. The Company has evaluated the provisions of EITF 06-2 and does not expect that the adoption will have a material impact on the Company's consolidated financial position or results of operations.

In June 2006, the FASB ratified the consensus reached on EITF Issue No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)" ("EITF 06-3"). EITF 06-3 requires disclosure of the method of accounting for the applicable assessed taxes and the amount of assessed taxes that are included in revenues if they are accounted for under the gross method. EITF 06-3 is effective for the fourth quarter ending May 31, 2007; however, since the Company presents revenues net of any taxes collected from customers, no additional disclosures will be required.

In September 2006, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of FAS 157 are effective for the fiscal year beginning June 1, 2008. The Company is currently evaluating the impact of the provisions of FAS 157.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("FAS 158"). FAS 158 requires employers to fully recognize the obligations associated with single-employer defined benefit pension, retiree healthcare and other postretirement plans in their financial statements. The provisions of FAS 158 are effective as of the end of the fiscal year ending May 31, 2007. The Company has evaluated the provisions of FAS 158 and does not expect that the adoption will have a material impact on the Company's consolidated financial position or results of operations.

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 requires public companies to quantify errors using both a balance sheet and income statement approach and evaluate whether either approach results in quantifying a misstatement as material, when all relevant quantitative and qualitative factors are considered. The guidance in SAB 108 is effective for the fiscal year ending May 31, 2007. The Company has evaluated the provisions of SAB 108 and does not expect that the adoption will have a material impact on the Company's consolidated financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities including an Amendment of FASB Statement No. 115" ("FAS 159"). FAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The provisions of FAS 159 are effective for the fiscal year beginning June 1, 2008. The Company is currently evaluating the impact of the provisions of FAS 159.

NOTE 2 - Inventories:

Inventory balances of \$2,167.8 million and \$2,076.7 million at February

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28, 2007 and May 31, 2006, respectively, were substantially all finished goods.

NOTE 3 - Identifiable Intangible Assets and Goodwill:

The following table summarizes the Company's identifiable intangible assets and goodwill balances as of February 28, 2007 and May 31, 2006:

	February 28, 2007			May 31, 2006		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
(in millions)						
Amortized intangible assets:						
Patents	\$ 38.7	\$ (11.6)	\$ 27.1	\$ 34.1	\$ (10.5)	\$ 23.6
Trademarks	49.0	(16.1)	32.9	46.4	(11.8)	34.6
Other	21.5	(16.9)	4.6	21.5	(15.7)	5.8
Total	<u>\$ 109.2</u>	<u>\$ (44.6)</u>	<u>\$ 64.6</u>	<u>\$ 102.0</u>	<u>\$ (38.0)</u>	<u>\$ 64.0</u>
	=====	=====		=====	=====	
Unamortized intangible assets - Trademarks			\$ 341.5			\$ 341.5
Identifiable intangible assets, net			<u>\$ 406.1</u>			<u>\$ 405.5</u>
			=====			=====
Goodwill			<u>\$ 130.8</u>			<u>\$ 130.8</u>
			=====			=====

Amortization expense, which is included in selling and administrative expense, was \$2.5 million and \$2.4 million for the three-month periods ended February 28, 2007 and 2006, respectively, and \$7.4 million and \$7.3 million for the nine-month periods ended February 28, 2007 and 2006, respectively. The estimated amortization expense for intangible assets subject to amortization for each of the years ending May 31, 2007 through May 31, 2011 are as follows: 2007: \$9.8 million; 2008: \$9.2 million; 2009: \$8.2 million; 2010: \$7.7 million; 2011: \$7.2 million.

NOTE 4 - Accrued Liabilities:

Accrued liabilities include the following:

February 28, 2007 May 31, 2006

(in millions)

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Compensation and benefits, excluding taxes	\$400.0	\$427.2
Taxes other than income taxes	160.1	115.1
Endorser compensation	133.1	124.7
Advertising and marketing	115.2	75.4
Fair value of derivatives	97.0	111.2
Dividends payable	93.5	79.5
Import and logistics costs	69.0	63.3
Converse arbitration ¹	--	51.9
Other ²	242.6	238.6
	\$1,310.5	\$1,286.9
	=====	=====

1 The Converse arbitration relates to a charge taken during the fourth quarter ended May 31, 2006 as a result of a contract dispute between NIKE, Inc.'s Converse subsidiary and a former South American licensee. The dispute was settled during the first quarter ended August 31, 2006.

2 Other consists of various accrued expenses and no individual item accounted for more than \$50 million of the balance at February 28, 2007 and May 31, 2006.

NOTE 5 - Income Taxes:

The effective tax rate for the three and nine months ended February 28, 2007 of 32.3% and 31.6%, respectively, has decreased from the full-year fiscal 2006 effective tax rate of 35.0%. The decrease is primarily due to a European tax agreement entered into during the three months ended November 30, 2006 and the retroactive reinstatement of the U.S. research and development tax credit signed into law in December 2006 as part of the Tax Relief and Healthcare Act of 2006. The Company recorded a retroactive benefit for both the European tax agreement and the U.S. research and development tax credit during the nine months ended February 28, 2007.

NOTE 6 - Comprehensive Income:

Comprehensive income, net of taxes, is as follows:

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2007	2006	2007	2006
	(in millions)			
Net income	\$350.8	\$325.8	\$1,053.6	\$1,059.2
Other comprehensive income:				
Change in cumulative translation adjustment and other	3.0	22.6	42.0	(20.7)
Changes due to cash flow hedging instruments:				

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Net gain (loss) on hedge derivatives	(8.1)	(4.3)	(27.1)	93.1
Reclassification to net income of previously deferred (gains) and losses related to hedge derivative instruments	8.5	(17.4)	9.5	(18.1)
Other comprehensive income	3.4	0.9	24.4	54.3
Total comprehensive income	\$354.2	\$326.7	\$1,078.0	\$1,113.5
	=====	=====	=====	=====

NOTE 7 - Stock-Based Compensation

In 1990, the Board of Directors adopted, and the shareholders approved, the NIKE, Inc. 1990 Stock Incentive Plan (the "1990 Plan"). The 1990 Plan provides for the issuance of up to 132 million previously unissued shares of Class B Common Stock in connection with stock options and other awards granted under the plan. The 1990 Plan authorizes the grant of non-statutory stock options, incentive stock options, stock appreciation rights, stock bonuses and the issuance and sale of restricted stock. The exercise price for non-statutory stock options, stock appreciation rights and the grant price of restricted stock may not be less than 75% of the market price of the underlying shares on the date of grant. The exercise price for incentive stock options may not be less than the market price of the underlying shares on the date of grant. A committee of the Board of Directors administers the 1990 Plan. The committee has the authority to determine the employees to whom awards will be made, the amount of the awards, and the other terms and conditions of the awards. The committee has granted substantially all stock options and restricted stock at 100% of the market price on the date of grant. Substantially all grants outstanding under the 1990 Plan were granted in the first quarter of each fiscal year, vest ratably over four years, and expire 10 years from the date of grant.

In addition to the 1990 Plan, the Company gives employees the right to purchase shares at a discount to the market price under employee stock purchase plans ("ESPPs"). Employees are eligible to participate through payroll deductions up to 10% of their compensation. At the end of each six-month offering period, shares are purchased by the participants at 85% of the lower of the fair market value at the beginning or the ending of the offering period. In each of the nine months ended February 28, 2007 and 2006, employees purchased 0.4 million shares.

On June 1, 2006, the Company adopted SFAS No. 123R "Share-Based Payment" ("FAS 123R") which requires the Company to record expense for stock-based compensation to employees using a fair value method. Under FAS 123R, the Company estimates the fair value of options granted under the 1990 Plan and employees' purchase rights under the ESPPs using the Black-Scholes option pricing model. The Company recognizes this fair value as selling and administrative expense in the Unaudited Condensed Consolidated Statements of Income over the vesting period using the straight-line method.

The following table summarizes the effects of applying FAS 123R during the three and nine months ended February 28, 2007. The resulting stock-based compensation expense primarily relates to stock options.

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	Three Months Ended February 28, 2007	Nine Months Ended February 28, 2007
	(in millions, except per share data)	
Addition to selling and administrative expense	\$ 26.0	\$114.9
Reduction to income tax expense	(8.2)	(36.8)
Reduction to net income ¹	\$ 17.8 =====	\$ 78.1 =====
Reduction to earnings per share:		
Basic	\$ 0.04	\$ 0.15
Diluted	\$ 0.04	\$ 0.15

1 In accordance with FAS 123R, stock-based compensation expense reported during the three and nine months ended February 28, 2007, includes \$0.3 million, net of tax, no effect per diluted share, and \$23.9 million, net of tax, or \$0.04 per diluted share, respectively, of accelerated stock-based compensation expense recorded for employees eligible for accelerated stock option vesting upon retirement. Because the Company usually grants the majority of stock options in a single grant in the first three months of each fiscal year, under FAS 123R, accelerated vesting will normally result in higher expense in the first three months of the fiscal year.

As of February 28, 2007, the Company had \$157.4 million of unrecognized compensation costs from stock options, net of estimated forfeitures, to be recognized as selling and administrative expense over a weighted average period of 2.4 years.

The Company has adopted the modified prospective transition method prescribed by FAS 123R, which does not require the restatement of financial results for previous periods. In accordance with this transition method, the Company's Unaudited Condensed Consolidated Statements of Income for the three and nine months ended February 28, 2007 include (1) amortization of outstanding stock-based compensation granted prior to, but not vested, as of June 1, 2006, based on the fair value estimated in accordance with the original provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" ("FAS 123") and (2) amortization of all stock-based awards granted subsequent to June 1, 2006, based on the fair value estimated in accordance with the provisions of FAS 123R.

Prior to the adoption of FAS 123R, the Company used the intrinsic value method to account for stock options and ESPP shares in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" as permitted by FAS 123. If the Company had instead accounted for stock options and ESPP shares issued to employees using the fair value method prescribed by FAS 123 during the three and nine months ended February 28, 2006, the Company's pro forma net income and pro forma earnings per share would have been reported as follows:

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	Three Months Ended February 28, 2006	Nine Months Ended February 28, 2006
	(in millions, except per share data)	
Net income as reported	\$325.8	\$1,059.2
Add: Stock option expense included in reported net income, net of tax	0.1	0.2
Deduct: Total stock option and ESPP expense under fair value based method for all awards, net of tax ¹	(20.6)	(59.1)
Pro forma net income	\$305.3	\$1,000.3
	=====	=====
Earnings per share:		
Basic - as reported	\$ 0.63	\$ 2.04
Basic - pro forma	0.59	1.93
Diluted - as reported	0.62	2.00
Diluted - pro forma	0.58	1.89

1 Accelerated stock-based compensation expense for options subject to accelerated vesting due to employee retirement is not included in the pro forma figures shown above for the three and nine months ended February 28, 2006. This disclosure reflects the expense of such options ratably over the stated vesting period or upon actual employee retirement. Had the Company recognized the fair value for such stock options on an accelerated basis in this pro forma disclosure, the Company would have recognized less stock-based compensation expense of \$1.2 million, net of tax, no effect per diluted share, for the three months ended February 28, 2006 and additional stock-based compensation expense of \$18.3 million, net of tax, or \$0.04 per diluted share for the nine months ended February 28, 2006.

The weighted average fair value per share of the options granted during the nine months ended February 28, 2007 and 2006 as computed using the Black-Scholes pricing model was \$8.79 and \$9.68, respectively. The weighted average assumptions used to estimate these fair values are as follows:

	Nine Months Ended February 28,	
	2007	2006
Dividend yield	1.6%	1.0%
Expected volatility	18.7%	20.7%
Weighted-average expected life (in years)	5.0	4.5
Risk-free interest rate	5.0%	4.0%

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Expected volatility is estimated based on the implied volatility in market traded options on the Company's common stock with a term greater than one year, along with other factors. The weighted average expected life of options is based on an analysis of historical and expected future exercise patterns. The interest rate is based on the U.S. Treasury (constant maturity) risk-free rate in effect at the date of grant for periods corresponding with the expected term of the options.

The following summarizes the Company's stock option transactions during the nine months ended February 28, 2007:

	Shares	Weighted Average Exercise Price	Weighted Average Contractual Life Remaining	Aggregate Intrinsic Value
	(in millions)		(in years)	(in millions)
Options outstanding May 31, 2006	40.4	\$ 32.31		
Exercised	(9.6)	27.30		
Forfeited	(1.4)	36.97		
Granted	11.6	39.51		
	=====	=====		
Options outstanding February 28, 2007	41.0	\$ 35.35	7.4	\$ 692.5
	=====	=====	=====	=====
Options exercisable February 28, 2007	16.2	\$ 29.36	5.7	\$ 369.1
	=====	=====	=====	=====

The aggregate intrinsic value in the table above was the amount by which the market value of the underlying stock exceeded the exercise price of the options. The total intrinsic value of the options exercised during the nine months ended February 28, 2007 and 2006 was \$177.9 million and \$128.9 million, respectively.

The following table summarizes the Company's total stock-based compensation expense:

	Three Months Ended February 28, 2007	Nine Months Ended February 28, 2007
	(in millions)	
Stock options	\$24.5	\$109.9
ESPPs	1.5	5.0
Restricted stock	1.4	4.2
	=====	=====
Total stock-based compensation expense	\$27.4	\$119.1
	=====	=====

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1 The expense related to restricted stock awards was included in selling and administrative expense in prior years and was not affected by the adoption of FAS 123R.

NOTE 8 - Earnings Per Common Share:

The following represents a reconciliation from basic earnings per share to diluted earnings per share. Options to purchase an additional 9.2 million and 11.2 million shares of common stock were outstanding for the three months ended February 28, 2007 and 2006, respectively, and 10.2 million and 11.2 million shares of common stock were outstanding for the nine months ended February 28, 2007 and 2006, respectively, but were not included in the computation of diluted earnings per share because the options were antidilutive.

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2007	2006	2007	2006
	(in millions, except per share data)			
Determination of shares:				
Weighted average common shares outstanding	504.5	517.8	504.1	519.3
Assumed conversion of dilutive stock options and awards	6.3	9.1	5.5	9.8
Diluted weighted average common shares outstanding	510.8	526.9	509.6	529.1
	=====	=====	=====	=====
Basic earnings per common share ¹	\$ 0.69	\$ 0.63	\$ 2.09	\$ 2.04
	=====	=====	=====	=====
Diluted earnings per common share ¹	\$ 0.68	\$ 0.62	\$ 2.07	\$ 2.00
	=====	=====	=====	=====

1 Basic and diluted earnings per common share for the three months ended February 28, 2007 do not recalculate due to rounding.

NOTE 9 - Operating Segments:

The Company's operating segments are evidence of the structure of the Company's internal organization. The major segments are defined by geographic regions for operations participating in NIKE brand sales activity excluding NIKE Golf and NIKE Bauer Hockey. Each NIKE brand geographic segment operates predominantly in one industry: the design, production, marketing and selling

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of sports and fitness footwear, apparel, and equipment. The "Other" category shown below represents activities of Cole Haan Holdings Incorporated, Converse Inc., Exeter Brands Group LLC, Hurley International LLC, NIKE Bauer Hockey Inc., and NIKE Golf, which are considered immaterial for individual disclosure based on the aggregation criteria in SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information."

Where applicable, "Corporate" represents items necessary to reconcile to the consolidated financial statements, which generally include corporate activity and corporate eliminations.

Net revenues as shown below represent sales to external customers for each segment. Intercompany revenues have been eliminated and are immaterial for separate disclosure. The Company evaluates performance of individual operating segments based on pre-tax income. On a consolidated basis, this amount represents income before income taxes as shown in the Unaudited Condensed Consolidated Statements of Income. Reconciling items for pre-tax income represent corporate costs that are not allocated to the operating segments for management reporting including corporate activity, stock-based compensation expense, certain currency exchange rate gains and losses on transactions, and intercompany eliminations for specific income statement items in the Unaudited Condensed Consolidated Statements of Income.

Accounts receivable, net, inventories, and property, plant and equipment, net for operating segments are regularly reviewed and therefore provided below.

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2007	2006	2007	2006
	(in millions)			
Net Revenue				
U.S.	\$1,477.0	\$1,442.8	\$4,496.9	\$4,258.8
EUROPE, MIDDLE EAST, AFRICA	1,124.8	980.1	3,431.9	3,175.0
ASIA PACIFIC	589.9	532.3	1,686.5	1,495.2
AMERICAS	212.5	203.1	717.5	668.9
OTHER	522.7	454.5	1,609.9	1,351.6
	<u>\$3,926.9</u>	<u>\$3,612.8</u>	<u>\$11,942.7</u>	<u>\$10,949.5</u>
	=====	=====	=====	=====
Pre-tax Income				
U.S.	\$ 280.2	\$ 286.2	\$ 885.1	\$ 897.1
EUROPE, MIDDLE EAST, AFRICA	246.5	208.7	707.8	733.1
ASIA PACIFIC	126.4	119.6	365.2	326.2
AMERICAS	40.7	38.5	148.9	140.5
OTHER	68.4	44.6	210.6	107.6
CORPORATE	(244.2)	(191.0)	(776.5)	(574.1)
	<u>\$ 518.0</u>	<u>\$ 506.6</u>	<u>\$1,541.1</u>	<u>\$1,630.4</u>
	=====	=====	=====	=====
	Feb. 28, 2007	May 31, 2006		

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	(in millions)	
Accounts receivable, net		
U.S.	\$ 842.3	\$ 717.2
EUROPE, MIDDLE EAST, AFRICA	721.6	716.3
ASIA PACIFIC	306.0	319.7
AMERICAS	188.4	174.5
OTHER	392.3	410.0
CORPORATE	81.4	58.2
	<u>\$2,532.0</u>	<u>\$2,395.9</u>
	=====	=====
Inventories		
U.S.	\$ 771.3	\$ 725.9
EUROPE, MIDDLE EAST, AFRICA	561.4	590.1
ASIA PACIFIC	236.5	238.3
AMERICAS	131.0	147.6
OTHER	409.5	330.5
CORPORATE	58.1	44.3
	<u>\$2,167.8</u>	<u>\$2,076.7</u>
	=====	=====
Property, plant and equipment, net		
U.S.	\$ 220.5	\$ 219.3
EUROPE, MIDDLE EAST, AFRICA	302.2	266.6
ASIA PACIFIC	328.8	354.8
AMERICAS	16.1	17.0
OTHER	100.5	98.2
CORPORATE	686.5	701.8
	<u>\$1,654.6</u>	<u>\$1,657.7</u>
	=====	=====

NOTE 10 - Commitments and Contingencies:

At February 28, 2007, the Company had letters of credit outstanding totaling \$142.2 million. These letters of credit were issued primarily for the purchase of inventory.

There have been no other significant subsequent developments relating to the commitments and contingencies reported on the Company's latest Annual Report on Form 10-K.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

In the third quarter of fiscal 2007, revenues grew 9% to \$3.9 billion, net income grew 8% to \$350.8 million and we delivered diluted earnings per share of \$0.68, a 10% increase versus the third quarter of fiscal 2006. Included in our third quarter results is an after-tax charge of \$17.8 million,

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or approximately \$0.04 per diluted share, related to stock-based compensation expense now recognized in accordance with Statement of Financial Accounting Standard ("SFAS") No. 123R "Share-Based Payment" ("FAS 123R"), which we adopted during the first quarter of fiscal 2007.

Third quarter results were positively affected by a reduction in our effective tax rate of 340 basis points as compared to the third quarter of fiscal 2006, primarily as a result of the European tax agreement the Company finalized in the second quarter of fiscal 2007 as well as the retroactive reinstatement of the U.S. research and development tax credit signed into law in December 2006. Net income for the quarter was reduced by higher operating overhead expenses versus the same period in the prior year, which was attributable to higher investments in growth drivers such as emerging markets, non-Nike brands and owned retail, as well as normal wage inflation and performance based compensation. Our earnings per share for the quarter grew at a higher rate than net income given lower outstanding shares due to repurchases made under our share repurchase program.

Results of Operations

	Three Months Ended February 28,			Nine Months Ended February 28,		
	2007	2006	% change	2007	2006	% change
(dollars in millions, except per share data)						
Revenues	\$3,926.9	\$3,612.8	9%	\$11,942.7	\$10,949.5	9%
Cost of sales	2,191.7	2,038.7	8%	6,701.2	6,115.9	10%
Gross margin	1,735.2	1,574.1	10%	5,241.5	4,833.6	8%
Gross margin %	44.2%	43.6%		43.9%	44.1%	
Selling and administrative % of revenue	1,243.3 31.7%	1,086.6 30.1%	14%	3,756.7 31.5%	3,245.7 29.6%	16%
Income before income taxes	518.0	506.6	2%	1,541.1	1,630.4	-5%
Net income	350.8	325.8	8%	1,053.6	1,059.2	-1%
Diluted earnings per share	0.68	0.62	10%	2.07	2.00	4%

Reconciliation of Net Income and Diluted Earnings Per Share ("EPS")
Excluding Stock-Based Compensation Expense

Three Months Ended
February 28,

Nine Months Ended
February 28,

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	2007	2006	% change	2007	2006	% change
(dollars in millions, except per share data)						
Net income, as reported	\$350.8	\$325.8	8%	\$1,053.6	\$1,059.2	-1%
Stock-based compensation expense ¹ , net of tax of \$8.2 and \$36.8	17.8	--		78.1	--	
Net income, excluding stock- based compensation expense ²	\$368.6	\$325.8	13%	\$1,131.7	\$1,059.2	7%
Diluted EPS, as reported	\$ 0.68	\$ 0.62	10%	\$ 2.07	\$ 2.00	4%
Diluted EPS, excluding stock- based compensation expense	\$ 0.72	\$ 0.62	16%	\$ 2.22	\$ 2.00	11%

1 This charge relates to stock-based compensation associated with stock options and Employee Stock Purchase Plan ("ESPP") shares issued to employees and expensed in accordance with FAS 123R. We adopted FAS 123R on June 1, 2006 using the modified prospective transition method. While this expense was not reflected in our results of operations for the third quarter and first nine months of fiscal 2006, it will continue to be reflected in future accounting periods.

2 This schedule is intended to satisfy the quantitative reconciliation for non-GAAP financial measures in accordance with Regulation G of the Securities and Exchange Commission. In addition, this schedule is provided to enhance the visibility of the underlying business trends by presenting our results for the third quarter and year-to-date period of fiscal 2007 using the same accounting policy for stock-based compensation expense applied during the comparable prior year periods.

Consolidated Operating Results

Revenues

	Three Months Ended February 28,			Nine Months Ended February 28,		
	2007	2006	% change	2007	2006	% change
(dollars in millions)						
Revenues	\$3,926.9	\$3,612.8	9%	\$11,942.7	\$10,949.5	9%

On a consolidated basis, changes in foreign currency exchange rates increased revenues by 3 percentage points for the third quarter, and 2

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percentage points for the first nine months of fiscal 2007. Strong demand for NIKE brand products continued to drive revenue growth for the quarter and year-to-date period, as all four of our geographic regions and, on a consolidated basis, all three of our product business units continued to deliver revenue growth. Excluding the effects of changes in currency exchange rates, our international regions contributed 3 percentage points to the consolidated revenue growth for both the quarter and year-to-date periods. Our Other businesses, comprised primarily of results from Cole Haan Holdings Incorporated, Converse Inc., Exeter Brands Group LLC, Hurley International LLC, NIKE Bauer Hockey, Inc., and NIKE Golf contributed 2 percentage points of the consolidated constant-currency revenue growth for both the quarter and year-to-date period and the US Region contributed the balance of revenue growth.

By product group, our worldwide equipment and apparel businesses reported revenue growth of 13% and 9% for the third quarter, respectively, and combined, added \$113 million of incremental revenue. Footwear grew 7% and contributed \$133 million of incremental revenue for the quarter. For the first nine months of fiscal 2007, our worldwide apparel and equipment businesses contributed \$391 million of incremental revenue, while footwear contributed \$344 million of incremental revenue.

Gross Margin

	Three Months Ended February 28,			Nine Months Ended February 28,		
	2007	2006	% change	2007	2006	% change
	(dollars in millions)					
Gross margin	\$1,735.2	\$1,574.1	10%	\$5,241.5	\$4,833.6	8%
Gross margin %	44.2%	43.6%	60 bps	43.9%	44.1%	-20 bps

For the third quarter of fiscal 2007, the increase in gross margins versus the prior year quarter was attributable to improved gross margins in our Other businesses, driven primarily by Converse, favorable hedge results in the EMEA and Asia Pacific regions, and better inventory management in our Asia Pacific region, offset by sales discounts combined with a higher closeout mix in the U.S. region.

For the year-to-date period, the primary factors contributing to the decrease in gross margin percentage versus the prior year were as follows:

- (1) Lower footwear net pricing margins due to sales discounts, combined with a higher closeout mix, primarily in the EMEA and U.S. regions; offset by
- (2) Improved gross margins in our Other businesses, driven primarily by the growth in Converse's international licensing business, partially offset by the expected effects of the transition in Exeter's business model from licensing to wholesale;

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- (3) Favorable hedge results relative to the same period in the prior year, primarily in the EMEA and Asia Pacific regions; and
- (4) Lower obsolescence costs due to better inventory management, most notably in our Asia Pacific region.

Selling and Administrative Expense

	Three Months Ended February 28,			Nine Months Ended February 28,		
	2007	2006	% change	2007	2006	% change
(dollars in millions)						
Operating overhead expense, excluding stock-based compensation expense ¹	\$ 749.5	\$ 658.3	14%	\$2,192.5	\$2,018.8	9%
Stock-based compensation expense ²	26.0	--		114.9	--	
Operating overhead expense, as reported	775.5	658.3	18%	2,307.4	2,018.8	14%
Demand creation expense ³	467.8	428.3	9%	1,449.3	1,226.9	18%
Selling and administrative expense	\$1,243.3	\$1,086.6	14%	\$3,756.7	\$3,245.7	16%
% of revenues	31.7%	30.1%	160 bps	31.5%	29.6%	190 bps

1 This schedule is intended to satisfy the quantitative reconciliation for non-GAAP financial measures in accordance with Regulation G of the Securities and Exchange Commission. In addition, this schedule is provided to enhance the visibility of the underlying business trends excluding this identifiable expense by presenting our results for the third quarter and first nine months of fiscal 2007 using the same accounting policy for stock-based compensation expense applied during the comparable prior year periods.

2 This charge relates to stock-based compensation associated with stock options and ESPP shares issued to employees and expensed in accordance with FAS 123R. We adopted FAS 123R on June 1, 2006 using the modified prospective transition method. While this expense was not reflected in our results of operations for the third quarter and first nine months of fiscal 2006, it will continue to be reflected in future accounting periods.

3 Demand creation consists of advertising and promotion expenses, including costs of endorsement contracts.

In the third quarter and year-to-date period, on a constant-currency basis, demand creation expense increased 6% and 16%, respectively, versus the

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same periods in the prior year. The increase was primarily attributable to higher spending on advertising and brand events, most notably the Force Basketball and Just Do It campaigns during the third quarter, combined with investments in the global World Cup, NIKE Air (registered), NIKE Pro, LeBron, American Football, and NIKE+ campaigns over the nine-month period. For the full fiscal year 2007, growth in demand creation expense is expected to be more in line with our revenue growth.

Excluding stock-based compensation expense, on a constant-currency basis, operating overhead increased 11% for the quarter and 7% for the year-to-date period. The increase in operating overhead was attributable to the timing of expenditures during the third quarter, and investments in growth drivers such as emerging markets, non-Nike brands and owned retail, as well as normal wage inflation and performance based compensation during both the third quarter and year-to-date period.

Other Income, net

	Three Months Ended February 28,			Nine Months Ended February 28,		
	2007	2006	% change	2007	2006	% change
	(dollars in millions)					
Other income, net	\$10.3	\$ 10.7	-4%	\$ 13.3	\$ 22.0	-40%

Other income, net is comprised substantially of gains and losses associated with the conversion of non-functional currency receivables and payables, the re-measurement of foreign currency derivative instruments, disposals of fixed assets, as well as other unusual or non-recurring transactions that are outside the normal course of business. For the third quarter of fiscal 2007, Other income, net was primarily comprised of a \$14.7 million gain on the sale of our Oregon footwear distribution center, partially offset by foreign currency hedge losses. In the prior year quarter, foreign currency hedge gains were the most significant component of Other income, net.

The decrease in Other income, net for the first nine months of fiscal 2007 compared to the prior year was primarily the result of foreign currency hedge losses in fiscal 2007, compared to foreign currency hedge gains in fiscal 2006. The foreign currency hedge losses recognized in the first nine months of fiscal 2007 were more than offset by the \$14.2 million benefit from the settlement of the Converse arbitration during the first quarter and the \$14.7 million gain on the sale of the Oregon footwear distribution center discussed above. For our segment reporting, foreign currency hedge gains and losses are reflected in the Corporate line, the gain on the sale of the Oregon footwear distribution center is reflected in the U.S. line, and the Converse arbitration settlement is reflected in the Other line in our segment presentation of pre-tax income in the Notes to Unaudited Condensed Consolidated Financial Statements (Note 9 - Operating Segments).

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Income Taxes

	Three Months Ended February 28,			Nine Months Ended February 28,		
	2007	2006	% change	2007	2006	% change
Effective tax rate	32.3%	35.7%	-340 bps	31.6%	35.0%	-340 bps

As disclosed in the second quarter, we finalized a European tax agreement that is effective for fiscal years 2006 through 2015. This agreement, combined with the retroactive reinstatement of the U.S. research and development tax credit in December 2006, favorably impacted our third quarter and year-to-date effective tax rates. We estimate that our full year effective tax rate will be consistent with the effective tax rate for the third quarter.

Futures Orders

Worldwide futures and advance orders for our footwear and apparel, scheduled for delivery from March through July 2007, were 9% higher than such orders reported for the comparable period of fiscal 2006. This futures growth rate is calculated based upon our forecasts of the actual exchange rates under which our revenues will be translated during this period, which approximate current spot rates. The net effect of changes in foreign currency exchange rates contributed approximately 1 percentage point to futures growth versus the same period in the prior year. Excluding this currency impact, unit sales volume increases for both footwear and apparel drove the growth in overall futures and advance orders. The reported futures and advance orders growth is not necessarily indicative of our expectation of revenue growth during this period. This is because the mix of orders can shift between advance/futures and at-once orders. In addition, exchange rate fluctuations as well as differing levels of order cancellations and discounts can cause differences in the comparisons between futures and advance orders, and actual revenues. Moreover, a significant portion of our revenue is not derived from futures and advance orders, including at-once and closeout sales of NIKE footwear and apparel, wholesale sales of equipment, U.S. licensed team apparel, Cole Haan, Converse, Exeter Brands Group, Hurley, NIKE Bauer Hockey, NIKE Golf and retail sales across all brands.

Operating Segments

The breakdown of revenues is as follows:

Three Months Ended February 28,			Nine Months Ended February 28,		
2007	2006	% change	2007	2006	% change

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(dollars in millions)

U.S. REGION

FOOTWEAR	\$1,027.9	\$1,005.9	2%	\$2,986.4	\$2,838.5	5%
APPAREL	371.3	366.6	1%	1,278.2	1,195.9	7%
EQUIPMENT	77.8	70.3	11%	232.3	224.4	4%
TOTAL U.S.	1,477.0	1,442.8	2%	4,496.9	4,258.8	6%

EMEA REGION

FOOTWEAR	630.0	563.8	12%	1,850.9	1,782.1	4%
APPAREL	413.2	347.1	19%	1,321.2	1,161.9	14%
EQUIPMENT	81.6	69.2	18%	259.8	231.0	12%
TOTAL EMEA	1,124.8	980.1	15%	3,431.9	3,175.0	8%

ASIA PACIFIC REGION

FOOTWEAR	319.4	284.1	12%	862.8	766.9	13%
APPAREL	217.4	199.0	9%	668.9	590.1	13%
EQUIPMENT	53.1	49.2	8%	154.8	138.2	12%
TOTAL ASIA PACIFIC	589.9	532.3	11%	1,686.5	1,495.2	13%

AMERICAS REGION

FOOTWEAR	152.8	143.7	6%	510.2	478.7	7%
APPAREL	42.3	44.4	-5%	149.2	140.5	6%
EQUIPMENT	17.4	15.0	16%	58.1	49.7	17%
TOTAL AMERICAS	212.5	203.1	5%	717.5	668.9	7%

OTHER

TOTAL REVENUES	\$3,926.9	\$3,612.8	9%	\$11,942.7	\$10,949.5	9%
	=====	=====		=====	=====	

The breakdown of income before income taxes ("pre-tax income") follows:

	Three Months Ended February 28,			Nine Months Ended February 28,		
	2007	2006	% change	2007	2006	% change
	=====	=====		=====	=====	
	(dollars in millions)					
U.S. Region	\$ 280.2	\$ 286.2	-2%	\$ 885.1	\$ 897.1	-1%
EMEA Region	246.5	208.7	18%	707.8	733.1	-3%

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Asia Pacific Region	126.4	119.6	6%	365.2	326.2	12%
Americas Region	40.7	38.5	6%	148.9	140.5	6%
Other	68.4	44.6	53%	210.6	107.6	96%
Corporate	(244.2)	(191.0)	-28%	(776.5)	(574.1)	-35%
Total pre-tax income	<u>\$ 518.0</u>	<u>\$ 506.6</u>	2%	<u>\$1,541.1</u>	<u>\$1,630.4</u>	-5%

The following discussion includes disclosure of pre-tax income for our operating segments. We have reported pre-tax income for each of our operating segments in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." As discussed in Note 9 - Operating Segments in the accompanying Notes to Unaudited Condensed Consolidated Financial Statements, certain corporate costs are not included in pre-tax income of our operating segments.

U.S. Region

	Three Months Ended February 28,			Nine Months Ended February 28,		
	<u>2007</u>	<u>2006</u>	<u>% change</u>	<u>2007</u>	<u>2006</u>	<u>% change</u>
(dollars in millions)						
Revenues						
Footwear	\$1,027.9	\$1,005.9	2%	\$2,986.4	\$2,838.5	5%
Apparel	371.3	366.6	1%	1,278.2	1,195.9	7%
Equipment	77.8	70.3	11%	232.3	224.4	4%
Total revenues	<u>\$1,477.0</u>	<u>\$1,442.8</u>	2%	<u>\$4,496.9</u>	<u>\$4,258.8</u>	6%
Pre-tax income	\$ 280.2	\$ 286.2	-2%	\$ 885.1	\$ 897.1	-1%

For the third quarter, the increase in U.S. footwear revenue was attributable to mid-single digit growth in unit sales, partially offset by a decrease in the average selling price per pair. The growth in unit sales was driven by higher demand for our NIKE brand sport culture products, including boys and girls sport culture, men's sport performance, most notably running due to the growth of our Nike+ performance product, and Brand Jordan products. The decrease in average selling price per pair compared to the prior year was the result of a change in mix in sport culture, as we continue to expand our product offering, and a higher mix of off-price product compared to the prior year, combined with growth in lower priced kids' product. For the year-to-date period, U.S. footwear revenue growth reflected an increase in both unit sales and average selling price per pair, driven by higher demand for our NIKE brand sport culture, running, and Brand Jordan products.

The growth in U.S. apparel revenues for the third quarter reflected stable pricing combined with an increase in unit sales, driven by growth in

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Brand Jordan products. For the year-to-date period, U.S. apparel revenue growth was attributable to higher unit sales, most notably NIKE brand sport performance apparel, combined with an improvement in average selling prices, driven by team and licensed apparel and Brand Jordan products.

Pre-tax income for the U.S. region was down slightly for the third quarter and year-to-date period, versus the comparable prior year periods, as higher selling and administrative expenses and lower gross margins offset the growth in revenues. For the quarter, the gross margin decline was primarily attributable to sales discounts combined with a higher level of closeouts than the prior year quarter.

For the year-to-date period, lower gross margins resulted from additional logistics costs incurred to meet footwear unit demand, increasing footwear product costs, and higher sales incentives. Selling and administrative expenses increased for the quarter and first nine months of the fiscal year as a result of higher demand creation spending around the Force Basketball campaign during the third quarter, combined with increased spend around the World Cup, Nike Air (registered), LeBron, American Football and Nike+ campaigns in the first six months of fiscal 2007. The growth in demand creation spend versus the comparable prior year periods is also a function of the difference in timing of major advertising campaigns during fiscal 2007 versus fiscal 2006. Operating overhead increased during the third quarter and year-to-date period due primarily to normal wage inflation, performance-based compensation and higher headcount due to retail growth.

EMEA Region

	Three Months Ended February 28,			Nine Months Ended February 28,		
	2007	2006	% change	2007	2006	% change
(dollars in millions)						
Revenues						
Footwear	\$ 630.0	\$ 563.8	12%	\$1,850.9	\$1,782.1	4%
Apparel	413.2	347.1	19%	1,321.2	1,161.9	14%
Equipment	81.6	69.2	18%	259.8	231.0	12%
Total revenues	\$1,124.8	\$ 980.1	15%	\$3,431.9	\$3,175.0	8%
Pre-tax income	\$ 246.5	\$ 208.7	18%	\$ 707.8	\$ 733.1	-3%

For the EMEA region, which includes Europe, Middle East and Africa, changes in currency exchange rates contributed 9 percentage points and 5 percentage points of the revenue growth for the third quarter and first nine months of fiscal 2007, respectively. Excluding changes in currency exchange rates, all markets within the region, with the exception of the U.K. and France, increased revenues during the quarter and year-to-date period. The emerging markets in the region grew over 30% for both the quarter and year-to-date period, driven by strong results in Russia, South Africa and Turkey.

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Increases in Northern Europe, Italy and Spain also contributed significantly to the revenue growth in both the third quarter and year-to-date period.

Excluding changes in exchange rates, footwear revenues increased 4 percentage points during the third quarter and decreased 1 percentage point for the first nine months of fiscal 2007 compared to the same periods in the prior year. The increase in the third quarter was primarily driven by increased unit sales of sport culture products. For the first nine months of fiscal 2007, the slight decrease in footwear revenues was attributable to decreased unit sales, resulting from the challenging retail environment in the U.K. and France, partially offset by increased demand for sport culture products across the rest of the region.

The increase in EMEA apparel revenue during the third quarter and first nine months of fiscal 2007 was attributable to increased unit sales of NIKE brand apparel, primarily sport culture, soccer and sport performance products.

The increase in EMEA pre-tax income for the third quarter of fiscal 2007 compared to the same period in the prior year reflected higher unit sales, stable gross margins and a decrease in demand creation spending combined with favorable foreign currency translation, partially offset by an increase in operating overhead. The decline in EMEA pre-tax income for the first nine months of fiscal 2007 reflected a lower gross margin percentage and higher selling and administrative expenses, which more than offset the increase in revenues and favorable foreign currency translation compared to the prior year period. The lower gross margin percentage for the year-to-date period was attributable to lower in-line net pricing margins in footwear combined with an increase in warehousing costs. The lower in-line net pricing margins in footwear were attributable to sales discounts, particularly in the U.K. and France, and a shift in product mix, combined with strategies to improve consumer value.

Excluding changes in foreign currency exchange rates, selling and administrative expenses for the third quarter and first nine months of 2007 were higher than the corresponding periods in the prior year. Operating overhead expense was higher in the third quarter and year-to-date period due primarily to expected annual increases in wages and benefits, and higher samples cost. For the first nine months of fiscal 2007, the increase in demand creation spending versus the prior year was primarily due to investments in the World Cup, Nike Air (registered), Nike Pro and Nike+ campaigns.

Asia Pacific Region

	Three Months Ended February 28,			Nine Months Ended February 28,		
	2007	2006	% change	2007	2006	% change
	(dollars in millions)					
Revenues						
Footwear	\$ 319.4	\$ 284.1	12%	\$ 862.8	\$ 766.9	13%

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Apparel	217.4	199.0	9%	668.9	590.1	13%
Equipment	53.1	49.2	8%	154.8	138.2	12%
Total revenues	<u>\$ 589.9</u>	<u>\$ 532.3</u>	11%	<u>\$ 1,686.5</u>	<u>\$1,495.2</u>	13%
Pre-tax income	\$ 126.4	\$ 119.6	6%	\$ 365.2	\$ 326.2	12%

In the Asia Pacific region, changes in currency exchange rates contributed 3 percentage points and 1 percentage point of revenue growth for the third quarter and year-to-date period, respectively. The majority of countries within the region reported double-digit sales increases for both the quarter and year-to-date period. China continues to be the primary driver of growth within the region, as revenues increased 20% for the quarter and 27% for the year-to-date period on a constant currency basis due to expansion in both the number of stores selling Nike product and the sales through existing doors. While revenue growth in the Asia Pacific region was strong, revenue in Japan decreased 3% for the quarter and remained flat year-to-date. Despite sustained softness in this market, we are starting to see positive signs, including higher gross margins, improvements in sell through at retail and improving futures order trends.

Footwear revenue growth for both the quarter and first nine months of fiscal 2007 reflected increased unit sales, most notably in China and Korea, partially offset by lower average selling prices, which primarily resulted from strategies to improve consumer value in Japan combined with a change in the mix of products sold across the region. The increase in apparel revenue for both the quarter and year-to-date period was also primarily driven by increased demand in China and Korea.

The increase in pre-tax income in the third quarter and first nine months of fiscal 2007 was driven by higher revenues, improved gross margins and favorable foreign currency translation, which more than offset higher selling and administrative expenses. The gross margin improvement for the quarter and first nine months of the fiscal year was primarily driven by better inventory management, improved year-over-year hedge rates and reduced warehousing costs. The improvement in margins was partially offset by higher sales incentives combined with efforts to improve consumer value, most notably in Japan. The increase in selling and administrative expenses during the third quarter and the first nine months of fiscal 2007 was primarily attributable to demand creation investments. In the third quarter, the increase was driven primarily by the Just Do It and Force Basketball campaigns. For the first nine months of fiscal 2007 the increase was driven by the third quarter events noted above, as well as demand creation investments in the LeBron campaign, the Just Do It campaign in China, the launch of Nike+ in Japan and increased spend around the World Cup. Overall business growth across the region, combined with retail expansion in China also contributed to an increase in operating overhead expenses.

Americas Region

Three Months Ended
February 28,

Nine Months Ended
February 28,

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	2007	2006	% change	2007	2006	% change
	(dollars in millions)					
Revenues						
Footwear	\$ 152.8	\$ 143.7	6%	\$ 510.2	\$ 478.7	7%
Apparel	42.3	44.4	-5%	149.2	140.5	6%
Equipment	17.4	15.0	16%	58.1	49.7	17%
Total revenues	\$ 212.5	\$ 203.1	5%	\$ 717.5	\$ 668.9	7%
Pre-tax income	\$ 40.7	\$ 38.5	6%	\$ 148.9	\$ 140.5	6%

In the Americas region, changes in currency exchange rates did not have a significant impact on reported revenue growth for the third quarter and contributed 1 percentage point of revenue growth for the first nine months of fiscal 2007. Excluding the changes in foreign currency exchange rates, double-digit revenue growth in most markets within the region during the third quarter and year-to-date period more than offset softer results in Brazil.

The increase in pre-tax income for both the third quarter and first nine months of fiscal 2007 versus the comparable prior year periods, was primarily attributable to higher revenues and improved gross margins. These factors were partially offset by higher selling and administrative expenses for both the quarter and year-to-date period.

Other Businesses

	Three Months Ended February 28,			Nine Months Ended February 28,		
	2007	2006	% change	2007	2006	% change
	(dollars in millions)					
Revenues	\$ 522.7	\$ 454.5	15%	\$1,609.9	\$1,351.6	19%
Pre-tax income	68.4	44.6	53%	210.6	107.6	96%

The increase in Other business revenues for the third quarter was driven by higher revenues at NIKE Golf, Converse and Hurley, while year-to-date revenue growth was driven by higher revenues across all businesses, most notably NIKE Golf, Converse, NIKE Bauer Hockey and Exeter Brands Group.

During the third quarter and year-to-date period, growth at NIKE Golf and NIKE Bauer Hockey, most notably during the first six months of fiscal 2007, combined with improved profitability at Converse, driven by increased

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revenues in the United States and internationally, contributed to the increase in pre-tax income versus the same periods in the prior year. As previously discussed, the year-to-date results include the benefit from the \$14.2 million favorable settlement of the arbitration ruling involving Converse and a former South American licensee.

Liquidity and Capital Resources

Cash Flow Activity

Cash provided by operations was \$914.8 million for the first nine months of fiscal 2007, compared to \$953.1 million for the first nine months of fiscal 2006. Our primary source of operating cash flow for the first nine months of 2007 was net income of \$1,053.6 million offset by investments in working capital to support growth in the business. The increased investment in working capital during the first nine months of fiscal 2007 was largely due to a decrease in accounts payable and corresponding increase in inventory related to the timing of payments and inventory receipts versus the same period in the prior year.

Cash provided by investing activities was \$778.0 million for the first nine months of fiscal 2007, compared to cash used in investing activities of \$355.9 million for the first nine months of fiscal 2006. The increase over fiscal 2006 was primarily due to higher net maturities of short-term investments (maturities net of purchases) as we liquidated short-term investments for share repurchases.

Cash used in financing activities was \$794.7 million for the first nine months of fiscal 2007, compared to \$521.0 million used in the first nine months of fiscal 2006. The increase over fiscal 2006 was primarily due to the \$250 million repayment of corporate bonds, combined with an increase in share repurchases, as discussed below.

In the third quarter of fiscal 2007, we purchased 1.8 million shares of NIKE's Class B common stock for \$91.3 million, bringing total purchases for the first nine months of fiscal 2007 to 16.8 million shares at a cost of \$694.0 million. In the first quarter of fiscal 2007, we repurchased 12 million shares, of which 4 million shares completed the previous four-year, \$1.5 billion share repurchase program approved by the Board of Directors in June 2004. As of the end of the third quarter of fiscal 2007, we have now repurchased 12.8 million shares for \$531.4 million under the new \$3 billion program approved by our Board of Directors in June 2006. We expect to fund share repurchases from operating cash flow, excess cash, and/or debt. The timing and the amount of shares purchased will be dictated by our capital needs and stock market conditions.

Dividends declared per share of common stock for the third quarter of fiscal 2007 were \$0.185, compared to \$0.155 in the third quarter of fiscal 2006.

Contractual Obligations

As a result of renewals of and additions to outstanding endorsement contracts, the cash payments due under our endorsement contracts have changed from what was previously reported in our Annual Report on Form 10-K as of May 31, 2006.

Endorsement contract obligations as of the date of this filing are as follows:

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Cash Payments Due During the Fiscal Year Ending May 31,

Description of Commitment	Remaining 2007	2008	2009	2010	2011	Thereafter	Total
	(in millions)						
Endorsement Contracts	\$ 109.0	462.4	418.0	337.3	275.7	886.7	\$2,489.1

The amounts listed for endorsement contracts represent approximate amounts of base compensation and minimum guaranteed royalty fees we are obligated to pay athlete and sport team endorsers of our products. Actual payments under some contracts may be higher than the amounts listed as these contracts provide for bonuses to be paid to the endorsers based upon athletic achievements and/or royalties on product sales in future periods. Actual payments under some contracts may also be lower as these contracts include provisions for reduced payments if athletic performance declines in future periods.

In addition to the cash payments, we are obligated to furnish the endorsers with NIKE products for their use. It is not possible to determine how much we will spend on this product on an annual basis, as the contracts do not stipulate a specific amount of cash to be spent on the product, and as a result, such amounts are not included in the table above. The amount of product provided to the endorsers will depend on many factors including general playing conditions, the number of sporting events in which they participate, and our own decisions regarding product and marketing initiatives. In addition, the costs to design, develop, source, and purchase the products furnished to the endorsers are incurred over a period of time and are not necessarily tracked separately from similar costs incurred for products sold to customers.

Capital Resources

On December 1, 2006, the Company entered into a \$1 billion multi-year credit facility that replaces the Company's previous \$750 million facility. The new revolving credit facility has similar terms to the previous facility and matures in December 2011, with a one year extension option prior to each of the first anniversary and second anniversary of the closing date, for a total extension of two years. No amounts were outstanding under these facilities at May 31, 2006 or February 28, 2007.

On January 12, 2007, one of the Company's Japanese subsidiaries entered into a 3 billion Yen (approximately \$25.6 million) loan facility that replaces certain intercompany borrowings. The interest rate on the facility is based on the six-month Japanese Yen London Interbank Offer Rate (JPY LIBOR) plus a spread, currently 0.805%. The facility expires December 31, 2007 unless both parties agree to an extension.

On February 14, 2007, the Company's same Japanese subsidiary entered into a 5 billion Yen (approximately \$41.5 million) term loan maturing February 14, 2012 that replaces certain intercompany borrowings. The interest rate on the loan is 1.52125% and interest is paid semi-annually.

Our long-term senior unsecured debt ratings remain at A+ and A2 from Standard and Poor's Corporation and Moody's Investor Services, respectively.

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Liquidity is also provided by our commercial paper program, under which there was no amount outstanding at February 28, 2007 or May 31, 2006. We currently have short-term debt ratings of A1 and P1 from Standard and Poor's Corporation and Moody's Investor Services, respectively.

We currently believe that cash generated by operations, together with access to external sources of funds as described above and in our Annual Report on Form 10-K for the fiscal year ended May 31, 2006, will be sufficient to meet our operating and capital needs in the foreseeable future.

Recently Issued Accounting Standards

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in our financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." The provisions of FIN 48 are effective for our fiscal year beginning June 1, 2007. We are currently evaluating the impact of the provisions of FIN 48.

In June 2006, the FASB ratified the consensus reached in Emerging Issues Task Force ("EITF") Issue No. 06-2, "Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43" ("EITF 06-2"). EITF 06-2 clarifies recognition guidance on the accrual of employees' rights to compensated absences under a sabbatical or other similar benefit arrangement. The provisions of EITF 06-2 are effective for the fiscal year beginning June 1, 2007 and will be applied through a cumulative effect adjustment to retained earnings. We have evaluated the provisions of EITF 06-2 and do not expect that the adoption will have a material impact on our consolidated financial position or results of operations.

In June 2006, the FASB ratified the consensus reached on EITF Issue No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)" ("EITF 06-3"). EITF 06-3 requires disclosure of the method of accounting for the applicable assessed taxes and the amount of assessed taxes that are included in revenues if they are accounted for under the gross method. EITF 06-3 is effective for the fourth quarter ending May 31, 2007; however, since we present revenues net of any taxes collected from customers, no additional disclosures will be required.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of FAS 157 are effective for our fiscal year beginning June 1, 2008. We are currently evaluating the impact of the provisions of FAS 157.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("FAS 158"). FAS 158 requires employers to fully recognize the obligations associated with single-employer defined benefit pension, retiree healthcare and other postretirement plans in their financial statements. The provisions of FAS 158 are effective as of the end of the fiscal year ending May 31, 2007. We have evaluated the provisions of FAS 158 and do not expect that the adoption will have a material impact on our consolidated financial position or results of operations.

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying

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Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 requires public companies to quantify errors using both a balance sheet and income statement approach and evaluate whether either approach results in quantifying a misstatement as material, when all relevant quantitative and qualitative factors are considered. The guidance in SAB 108 is effective for the fiscal year ending May 31, 2007. We are currently evaluating the impact of SAB 108.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities including an Amendment of FASB Statement No. 115" ("FAS 159"). FAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The provisions of FAS 159 are effective for the fiscal year beginning June 1, 2008. We have evaluated the provisions of SAB 108 and do not expect that the adoption will have a material impact on our consolidated financial position or results of operations.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities.

We believe that the estimates, assumptions and judgments involved in the accounting policies described in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our most recent Annual Report on Form 10-K have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. With the adoption of FAS 123R at the beginning of the first quarter of fiscal 2007, we have added "Stock-based Compensation" as a critical accounting policy as described below. Actual results could differ from the estimates we use in applying the critical accounting policies. Certain of these critical accounting policies affect working capital account balances, including the policies for revenue recognition, the reserve for uncollectible accounts receivable, inventory reserves, and contingent payments under endorsement contracts. These policies require that we make estimates in the preparation of our financial statements as of a given date. However, since our business cycle is relatively short, actual results related to these estimates are generally known within the six-month period following the financial statement date. Thus, these policies generally affect only the timing of reported amounts across two to three quarters.

Within the context of these critical accounting policies, we are not currently aware of any reasonably likely events or circumstances that would result in materially different amounts being reported.

Stock-based Compensation

As of the first quarter of fiscal 2007, we account for stock-based compensation in accordance with FAS 123R. Under the provisions of FAS 123R, the fair value of stock-based compensation is estimated on the date of grant using the Black-Scholes fair value model. The Black-Scholes option pricing model requires the input of highly subjective assumptions including volatility. Expected volatility is estimated based on implied volatility in market traded options on our common stock with a term greater than one year, along with other factors. Our decision to use implied volatility

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was based on the availability of actively traded options on our common stock and our assessment that implied volatility is more representative of future stock price trends than historical volatility. If factors change and we use different assumptions for estimating stock-based compensation expense in future periods, stock-based compensation expense may differ materially in the future from that recorded in the current period.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes from the information previously reported under Item 7A of our Annual Report on Form 10-K for the fiscal year ended May 31, 2006.

Item 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We carry out a variety of on-going procedures under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, to evaluate the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of February 28, 2007.

There has been no change in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Special Note Regarding Forward-Looking Statements and Analyst Reports

Certain written and oral statements, other than purely historical information including estimates, projections, statements relating to NIKE's business plans, objectives and expected operating results, and the assumptions upon which those statements are based, made or incorporated by reference from time to time by NIKE or its representatives in this report, other reports, filings with the Securities and Exchange Commission, press releases, conferences, or otherwise, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements, and may contain the words "believe," "anticipate," "expect," "estimate," "project," "will be," "will continue," "will likely result," or words or phrases of similar meaning. Forward-looking statements involve risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. The risks and uncertainties are detailed from time to time in reports filed by NIKE with the Securities and Exchange Commission, including

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Forms 8-K, 10-Q, and 10-K, and include, among others, the following: international, national and local general economic and market conditions; the size and growth of the overall athletic footwear, apparel, and equipment markets; intense competition among designers, marketers, distributors and sellers of athletic footwear, apparel, and equipment for consumers and endorsers; demographic changes; changes in consumer preferences; popularity of particular designs, categories of products, and sports; seasonal and geographic demand for NIKE products; difficulties in anticipating or forecasting changes in consumer preferences, consumer demand for NIKE products, and the various market factors described above; difficulties in implementing, operating, and maintaining NIKE's increasingly complex information systems and controls, including, without limitation, the systems related to demand and supply planning, and inventory control; fluctuations and difficulty in forecasting operating results, including, without limitation, the fact that advance "futures" orders may not be indicative of future revenues due to the changing mix of futures and at-once orders; the ability of NIKE to sustain, manage or forecast its growth and inventories; the size, timing and mix of purchases of NIKE's products; new product development and introduction; the ability to secure and protect trademarks, patents, and other intellectual property performance and reliability of products; customer service; adverse publicity; the loss of significant customers or suppliers; dependence on distributors; business disruptions; increased costs of freight and transportation to meet delivery deadlines; changes in business strategy or development plans; general risks associated with doing business outside the United States, including, without limitation, exchange rate fluctuations, import duties, tariffs, quotas and political and economic instability; changes in government regulations; liability and other claims asserted against NIKE; the ability to attract and retain qualified personnel; and other factors referenced or incorporated by reference in this report and other reports.

The risks included here are not exhaustive. Other sections of this report may include additional factors which could adversely affect NIKE's business and financial performance. Moreover, NIKE operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on NIKE's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Investors should also be aware that while NIKE does, from time to time, communicate with securities analysts, it is against NIKE's policy to disclose to them any material non-public information or other confidential commercial information. Accordingly, shareholders should not assume that NIKE agrees with any statement or report issued by any analyst irrespective of the content of the statement or report. Furthermore, NIKE has a policy against issuing or confirming financial forecasts or projections issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not the responsibility of NIKE.

Part II - Other Information

Item 1. Legal Proceedings

There have been no significant developments with respect to the information previously reported under Item 4 of the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2006.

Item 1A. Risk Factors

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There have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended May 31, 2006.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents a summary of share repurchases made by NIKE during the quarter ended February 28, 2007. In June 2006, our Board of Directors approved a new four-year \$3.0 billion share repurchase program. During the first quarter ended August 31, 2006, we completed the previous \$1.5 billion share repurchase program authorized by the Board of Directors in June 2004.

Period	Total Number Of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
				(in millions)
December 1 - 31, 2006	551,200	\$ 48.93	551,200	\$2,532.9
January 1 - 31, 2007	570,000	\$ 49.14	570,000	\$2,504.9
February 1 - 28, 2007	692,200	\$ 52.46	692,200	\$2,468.6
Total	1,813,400 =====	\$ 50.35 =====	1,813,400 =====	

Item 6. Exhibits

(a) EXHIBITS:

- 3.1 Restated Articles of Incorporation, as amended (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2005).
- 3.2 Third Restated Bylaws, as amended (incorporated by reference from Exhibit 3.2 to the Company's Current Report on Form 8-K filed February 16, 2007).
- 4.1 Restated Articles of Incorporation, as amended (see Exhibit 3.1).
- 4.2 Third Restated Bylaws, as amended (see Exhibit 3.2).
- 10.1 Credit Agreement (incorporated by reference from Exhibit 4.01 to the Company's Current Report on Form 8-K filed December 6, 2006).
- 10.2 Deferred Compensation Plan (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 19, 2006).*

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- 10.3 Commercial Paper Agreement between NIKE, Inc., as Issuer and Goldman, Sachs & Co., as Dealer.
- 10.4 Commercial Paper Agreement between NIKE, Inc., as Issuer and Merrill Lynch Money Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Dealer.
- 10.5 Commercial Paper Agreement between NIKE, Inc., as Issuer and Wells Fargo Brokerage Services, LLC, as Dealer.
- 10.6 Long Term Incentive Plan Agreement (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 16, 2007).*
- 12.1 Computation of Ratio of Earnings to Fixed Charges.
- 31.1 Rule 13(a)-14(a) Certification of Chief Executive Officer.
- 31.2 Rule 13(a)-14(a) Certification of Chief Financial Officer.
- 32.1 Section 1350 Certificate of Chief Executive Officer.
- 32.2 Section 1350 Certificate of Chief Financial Officer.

* Management Contract or Compensatory Plan or Agreement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NIKE, Inc.
an Oregon Corporation

/s/Donald W. Blair

Donald W. Blair
Chief Financial Officer

DATED: April 4, 2007