NIKE INC
Form 10-Q
April 06, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended February 29, 2012

Commission file number-001-10635

NIKE, Inc.

(Exact name of registrant as specified in its charter)

OREGON	**93-0584541**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller Reporting Company	¨

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

Shares of Common Stock outstanding as of February 29, 2012 were:

Class A	89,969,448
Class B	368,398,561
	458,368,009

Table of Contents

NIKE, Inc.

INDEX

PART I. FINANCIAL INFORMATION

Item 1.	**Financial Statements**	
	Unaudited Condensed Consolidated Balance Sheets	3
	Unaudited Condensed Consolidated Statements of Income	4
	Unaudited Condensed Consolidated Statements of Cash Flows	5
	Notes to the Unaudited Condensed Consolidated Financial Statements	6
Item 2.	**Management s Discussion and Analysis of Financial Condition and Results of Operations**	20
Item 3.	**Quantitative and Qualitative Disclosures about Market Risk**	34
Item 4.	**Controls and Procedures**	34
PART II. OTHER INFORMATION		
Item 1.	**Legal Proceedings**	36
Item 1A.	**Risk Factors**	36
Item 2.	**Unregistered Sales of Equity Securities and Use of Proceeds**	36
Item 6.	**Exhibits**	36
	Signature	37

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

NIKE, Inc.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	February 29, 2012	May 31, 2011
	(in millions)	
ASSETS		
Current assets:		
Cash and equivalents	$ 2,021	$ 1,955
Short-term investments (Note 5)	1,176	2,583
Accounts receivable, net	3,296	3,138
Inventories (Note 2)	3,356	2,715
Deferred income taxes (Note 7)	311	312
Prepaid expenses and other current assets (Notes 5 and 11)	772	594
Total current assets	10,932	11,297
Property, plant and equipment	5,172	4,906
Less accumulated depreciation	2,967	2,791
Property, plant and equipment, net	2,205	2,115
Identifiable intangible assets, net (Note 3)	534	487
Goodwill, net (Note 3)	202	205
Deferred income taxes and other long-term assets (Notes 5, 7 and 11)	921	894
Total assets	$ 14,794	$ 14,998
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 49	$ 200
Notes payable	91	187
Accounts payable	1,298	1,469
Accrued liabilities (Notes 4 and 11)	1,913	1,985
Income taxes payable (Note 7)	59	117
Total current liabilities	3,410	3,958
Long-term debt	229	276
Deferred income taxes and other long-term liabilities (Notes 7 and 11)	979	921
Commitments and contingencies (Note 13)		
Redeemable preferred stock		
Shareholders equity:		
Common stock at stated value:		
Class A convertible 90 and 90 million shares outstanding		
Class B 368 and 378 million shares outstanding	3	3
Capital in excess of stated value	4,483	3,944
Accumulated other comprehensive income (Note 8)	243	95
Retained earnings	5,447	5,801
Total shareholders equity	10,176	9,843

Total liabilities and shareholders equity	$ 14,794	$ 14,998

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

Table of Contents

NIKE, Inc.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended February 29 and 28,		Nine Months Ended February 29 and 28,	
	2012	**2011**	**2012**	**2011**
	(dollars in millions, except per share data)			
Revenues	$ 5,846	$ 5,079	$ 17,658	$ 15,096
Cost of sales	3,285	2,752	9,954	8,142
Gross profit	2,561	2,327	7,704	6,954
Demand creation expense	615	578	1,951	1,831
Operating overhead expense	1,187	1,059	3,494	3,090
Total selling and administrative expense	1,802	1,637	5,445	4,921
Other (income) expense, net	(11)	(17)	16	(38)
Interest expense, net			3	
Income before income taxes	770	707	2,240	2,071
Income tax expense (Note 7)	210	184	566	532
Net income	$ 560	$ 523	$ 1,674	$ 1,539
Basic earnings per common share (Note 10)	$ 1.22	$ 1.10	$ 3.63	$ 3.22
Diluted earnings per common share (Note 10)	$ 1.20	$ 1.08	$ 3.56	$ 3.16
Dividends declared per common share	$ 0.36	$ 0.31	$ 1.03	$ 0.89

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

Table of Contents

NIKE, Inc.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended February 29 and 28, 2012	2011
	(in millions)	
Cash provided by operations:		
Net income	$ 1,674	$ 1,539
Income charges (credits) not affecting cash:		
Depreciation	272	249
Deferred income taxes	(7)	(70)
Stock-based compensation	95	78
Amortization and other	48	11
Changes in certain working capital components and other assets and liabilities:		
(Increase) decrease in accounts receivable	(233)	(170)
(Increase) decrease in inventories	(691)	(399)
(Increase) decrease in prepaid expenses and other assets	(149)	8
(Decrease) increase in accounts payable, accrued liabilities and income taxes	(84)	(276)
Cash provided by operations	925	970
Cash provided (used) by investing activities:		
Purchases of investments	(1,901)	(6,029)
Maturities of investments	2,101	3,129
Sales of investments	1,192	2,618
Additions to property, plant and equipment	(379)	(303)
Proceeds from the sale of property, plant and equipment	1	1
Increase in other assets and liabilities, net	(30)	(10)
Settlement of net investment hedges	14	(8)
Cash provided (used) by investing activities	998	(602)
Cash used by financing activities:		
Reduction in long-term debt, including current portion	(201)	(6)
Decrease in notes payable	(87)	(5)
Proceeds from exercise of stock options and other stock issuances	372	279
Excess tax benefits from share-based payment arrangements	85	54
Repurchase of common stock	(1,585)	(1,252)
Dividends on common stock	(454)	(408)
Cash used by financing activities	(1,870)	(1,338)
Effect of exchange rate changes on cash	13	23
Net increase (decrease) in cash and equivalents	66	(947)
Cash and equivalents, beginning of period	1,955	3,079
Cash and equivalents, end of period	$ 2,021	$ 2,132
Supplemental disclosure of cash flow information:		
Dividends declared and not paid	$ 165	$ 147

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

5

Table of Contents

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 normal adjustments 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, 2011 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (U.S. GAAP). 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 three and nine months ended February 29, 2012 are not necessarily indicative of results to be expected for the entire year.

Recently Adopted Accounting Standards:

In January 2010, the Financial Accounting Standards Board (FASB) issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires additional disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the activity in Level 3 fair value measurements, and the transfers between Levels 1, 2, and 3 of the fair value measurement hierarchy (as described in Note 5 - Fair Value Measurements). This guidance became effective for the Company beginning March 1, 2010, except for disclosures relating to purchases, sales, issuances and settlements of Level 3 assets and liabilities, which became effective for the Company beginning June 1, 2011. As this guidance only requires expanded disclosures, the adoption did not have an impact on the Company s consolidated financial position or results of operations.

In October 2009, the FASB issued new standards that revised the guidance for revenue recognition with multiple deliverables. These new standards impact the determination of when the individual deliverables included in a multiple-element arrangement may be treated as separate units of accounting. Additionally, these new standards modify the manner in which the transaction consideration is allocated across the separately identified deliverables by no longer permitting the residual method of allocating arrangement consideration. These new standards became effective for the Company beginning June 1, 2011. The adoption did not have a material impact on the Company s consolidated financial position or results of operations.

Recently Issued Accounting Standards:

In December 2011, the FASB issued guidance enhancing disclosure requirements surrounding the nature of an entity s right to offset and related arrangements associated with its financial instruments and derivative instruments. This new guidance requires companies to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to master netting arrangements. This new guidance is effective for the Company beginning June 1, 2013. As this guidance only requires expanded disclosures, the Company does not anticipate the adoption will have an impact on its consolidated financial position or results of operations.

In September 2011, the FASB issued updated guidance on the periodic testing of goodwill for impairment. This guidance will allow companies to assess qualitative factors to determine if it is more-likely-than-not that goodwill might be impaired and whether it is necessary to perform the two-step goodwill impairment test required under current accounting standards. This new guidance is effective for the Company beginning June 1, 2012, with early adoption permitted. The Company does not expect the adoption will have a material effect on its consolidated financial position or results of operations.

In June 2011, the FASB issued guidance on the presentation of comprehensive income. This new guidance eliminates the current option to report other comprehensive income and its components in the statement of shareholders equity. Companies will now be required to present the components of net income and other comprehensive income in either one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. This guidance also required companies to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. However, in December 2011, the FASB issued guidance which indefinitely defers the requirement related to the presentation of reclassification adjustments. Both issuances on the presentation of comprehensive income are effective for the Company beginning June 1, 2012. As this guidance only amends the presentation of the components of comprehensive income, the Company does not anticipate the adoption will have an impact on its consolidated financial position or results of operations.

In April 2011, the FASB issued new guidance to achieve common fair value measurement and disclosure requirements between U.S. GAAP and International Financial Reporting Standards. This new guidance, which is effective for the Company beginning June 1, 2012, amends current U.S. GAAP fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. The Company does not expect the adoption will have a material impact on its consolidated financial position or results of operations.

NOTE 2 Inventories:

Inventory balances of $3,356 million and $2,715 million at February 29, 2012 and May 31, 2011, respectively, were substantially all finished goods.

Table of Contents

NIKE, Inc.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 Identified Intangible Assets and Goodwill:

The following tables summarize the Company s identifiable intangible assets and goodwill balances at February 29, 2012 and May 31, 2011:

	February 29, 2012			May 31, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in millions)					
Amortized intangible assets:						
Patents	$ 93	$ (29)	$ 64	$ 80	$ (24)	$ 56
Trademarks	47	(30)	17	44	(25)	19
Other	95	(28)	67	47	(22)	25
Total	$ 235	$ (87)	$ 148	$ 171	$ (71)	$ 100
Unamortized intangible assets- Trademarks			$ 386			$ 387
Identifiable intangible assets, net			$ 534			$ 487

	February 29, 2012			May 31, 2011		
	Goodwill	Accumulated Impairment	Goodwill, net	Goodwill	Accumulated Impairment	Goodwill, net
	(in millions)					
Goodwill	$ 401	$ (199)	$ 202	$ 404	$ (199)	$ 205

The effect of foreign exchange fluctuations for the nine month period ended February 29, 2012 decreased unamortized intangible assets and goodwill by approximately $1 million and $3 million, respectively, resulting from the strengthening of the U.S. dollar in relation to the British Pound.

Amortization expense, which is included in selling and administrative expense, was $5 million and $4 million for the three month periods ended February 29, 2012 and February 28, 2011, respectively, and $16 million and $11 million for the nine month periods ended February 29, 2012 and February 28, 2011, respectively. The estimated amortization expense for intangible assets subject to amortization for the remainder of fiscal year 2012 and each of the years ending May 31, 2013 through May 31, 2016 are as follows: remainder of 2012: $5 million; 2013: $20 million; 2014: $18 million; 2015: $15 million; 2016: $13 million.

All goodwill balances are included in the Company s Other Businesses category for segment reporting purposes.

NOTE 4 Accrued Liabilities:

Accrued liabilities include the following:

	February 29, 2012	May 31, 2011
	(in millions)	

Compensation and benefits, excluding taxes	$ 615	$ 628
Endorsee compensation	247	284
Taxes other than income taxes	195	214
Dividends payable	165	145
Advertising and marketing	155	139
Import and logistics costs	102	98
Fair value of derivatives	74	186
Other [(1)]	360	291
Total accrued liabilities	$ 1,913	$ 1,985

(1) Other consists of various accrued expenses. No individual item accounted for more than 5% of the total balance at February 29, 2012 and May 31, 2011.

Table of Contents

NIKE, Inc.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 Fair Value Measurements:

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including derivatives and available-for-sale securities. Fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Company uses a three-level hierarchy established by the FASB that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach, and cost approach).

The levels of hierarchy are described below:

Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Company s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. Financial assets and liabilities are classified in their entirety based on the most stringent level of input that is significant to the fair value measurement.

The following table presents information about the Company s financial assets and liabilities measured at fair value on a recurring basis as of February 29, 2012 and May 31, 2011 and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value.

	Fair Value Measurements Using			**February 29, 2012**	
	Level 1	Level 2	Level 3	Assets /Liabilities at Fair Value	Balance Sheet Classification
			(in millions)		
Assets					
Derivatives:					
Foreign exchange forwards	$	$ 141	$	$ 141	Other current assets and other long-term assets
Interest rate swap contracts		16		16	Other current assets and other long-term assets
Total derivatives		157		157	
Available-for-sale securities:					
U.S. Treasury securities	79			79	Cash and equivalents
U.S. Agency securities		95		95	Cash and equivalents
Commercial paper and bonds		150		150	Cash and equivalents
Money market funds		801		801	Cash and equivalents

U.S. Treasury securities	705			705	Short-term investments
U.S. Agency securities		277		277	Short-term investments
Commercial paper and bonds		194		194	Short-term investments
Non-marketable preferred stock			3	3	Other long-term assets
Total available-for-sale securities	784	1,517	3	2,304	
Total Assets	$ 784	$ 1,674	$ 3	$ 2,461	
Liabilities					
Derivatives:					
Foreign exchange forwards	$	$ 75	$	$ 75	Accrued liabilities and other long-term liabilities
Total Liabilities	$	$ 75	$	$ 75	

Table of Contents

NIKE, Inc.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	May 31, 2011				
	Fair Value Measurements Using				
	Level 1	Level 2	Level 3	Assets /Liabilities at Fair Value	Balance Sheet Classification
			(in millions)		
Assets					
Derivatives:					
Foreign exchange forwards	$	$ 38	$	$ 38	Other current assets and other long-term assets
Interest rate swap contracts		15		15	Other current assets and other long-term assets
Total derivatives		53		53	
Available-for-sale securities:					
U.S. Treasury securities	125			125	Cash and equivalents
Commercial paper and bonds		157		157	Cash and equivalents
Money market funds		780		780	Cash and equivalents
U.S. Treasury securities	1,473			1,473	Short-term investments
U.S. Agency securities		308		308	Short-term investments
Commercial paper and bonds		802		802	Short-term investments
Total available-for-sale securities	1,598	2,047		3,645	
Total Assets	$ 1,598	$ 2,100	$	$ 3,698	
Liabilities					
Derivatives:					
Foreign exchange forwards	$	$ 197	$	$ 197	Accrued liabilities and other long-term liabilities
Total Liabilities	$	$ 197	$	$ 197	

Derivative financial instruments include foreign exchange forwards, embedded derivatives and interest rate swap contracts. The fair value of derivative contracts is determined using observable market inputs such as the daily market foreign currency rates, forward pricing curve, currency volatilities, currency correlations and interest rates, and considers nonperformance risk of the Company and that of its counterparties. Adjustments relating to these nonperformance risks were not material at February 29, 2012 or May 31, 2011. Refer to Note 11 Risk Management and Derivatives for additional detail.

Available-for-sale securities are primarily comprised of investments in U.S. Treasury and agency securities, money market funds, corporate commercial paper and bonds. These securities are valued using market prices on both active markets (Level 1) and less active markets (Level 2). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Level 2 instrument valuations are obtained from readily available pricing sources for comparable instruments.

Our Level 3 assets are comprised of investments in certain non-marketable preferred stock. These investments are valued using internally developed models with unobservable inputs. These Level 3 investments are an immaterial portion of our portfolio. Changes in Level 3 investment assets were immaterial during the three and nine month periods ended February 29, 2012. As of May 31, 2011, the Company had no Level 3 assets and liabilities.

No transfers among the levels within the fair value hierarchy occurred during the three and nine month periods ended February 29, 2012 and February 28, 2011.

As of February 29, 2012 and May 31, 2011, the Company had no assets or liabilities that were required to be measured at fair value on a non-recurring basis.

Short-Term Investments:

As of February 29, 2012 and May 31, 2011, short-term investments consisted of available-for-sale securities. Available-for-sale securities are recorded at fair value with unrealized gains and losses reported, net of tax, in other comprehensive income, unless unrealized losses are determined to be other than temporary. As of February 29, 2012, the Company held $848 million of available-for-sale securities with maturity dates within one year from purchase date and $328 million with maturity dates over one year and less than five years from purchase date within short-term investments. As of May 31, 2011, the Company held $2,253 million of available-for-sale securities with maturity dates within one year from purchase date and $330 million with maturity dates over one year and less than five years from purchase date within short-term investments.

NIKE, Inc.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Short-term investments classified as available-for-sale consist of the following at fair value:

	February 29, 2012	May 31, 2011
	(in millions)	
Available-for-sale investments:		
U.S. Treasury and agencies	$ 982	$ 1,781
Corporate commercial paper and bonds	194	802
Total available-for-sale investments	$ 1,176	$ 2,583

Interest income related to cash and equivalents and short-term investments included within interest expense, net was $7 million and $8 million for the three month periods ended February 29, 2012 and February 28, 2011, respectively, and $22 million and $23 million for the nine month periods ended February 29, 2012 and February 28, 2011, respectively.

Fair Value of Long-Term Debt and Notes Payable:

The Company s long-term debt is recorded at adjusted cost, net of amortized premiums and discounts and interest rate swap fair value adjustments. The fair value of long-term debt is estimated based upon quoted prices for similar instruments (Level 2). The fair value of the Company s long-term debt, including the current portion, was approximately $281 million at February 29, 2012 and $482 million at May 31, 2011.

The carrying amounts reflected in the unaudited condensed consolidated balance sheet for notes payable approximate fair value.

NOTE 6 Credit Lines:

There have been no significant changes to the short-term borrowings and credit lines reported in the Company s Annual Report on Form 10-K for the fiscal year ended May 31, 2011, except for the following:

On November 1, 2011, the Company entered into a credit agreement with a syndicate of banks which provides for up to approximately $1 billion of borrowings pursuant to a revolving credit facility with the option to increase borrowings to $1.5 billion. The facility matures in November 2016, with a one year extension option prior to both the second and third anniversary of the closing date, provided extensions shall not extend beyond November 1, 2018. This facility replaces the prior $1 billion credit agreement which would have expired in December 2012. As of February 29, 2012, the Company had no amounts outstanding under the new revolving credit facility.

NOTE 7 Income Taxes:

The effective tax rate was 25.3% and 25.7% for the nine months ended February 29, 2012 and February 28, 2011, respectively. The decrease in the Company s effective tax rate was primarily driven by a reduction in the effective tax rate on operations outside of the United States as a result of changes in geographical mix of foreign earnings, partially offset by the impact of the retroactive reinstatement of the U.S. federal research and development tax credit in the prior year.

As of February 29, 2012, total gross unrecognized tax benefits, excluding related interest and penalties, were $257 million, $136 million of which would affect the Company s effective tax rate if recognized in future periods. As of May 31, 2011, total gross unrecognized tax benefits, excluding interest and penalties, were $212 million, $93 million of which would affect the Company s effective tax rate if recognized in future periods. The gross liability for payment of interest and penalties increased $14 million during the nine months ended February 29, 2012. As of February 29, 2012, accrued interest and penalties related to uncertain tax positions was $105 million (excluding federal benefit).

The Company is subject to taxation primarily in the United States, China and the Netherlands as well as various other state and foreign jurisdictions. The Company has concluded substantially all U.S. federal income tax matters through fiscal year 2009, and is currently under examination by the Internal Revenue Service (IRS) for the fiscal 2010 and 2011 tax years. The Company s major foreign jurisdictions, China and the Netherlands, have concluded substantially all income tax matters through calendar 2001 and fiscal 2005, respectively. The Company estimates that it is reasonably possible that the total gross unrecognized tax benefits could decrease by up to $63 million within the next 12 months as a result of resolutions of global tax examinations and the expiration of applicable statutes of limitations.

Table of Contents

NIKE, Inc.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 Comprehensive Income:

Comprehensive income, net of taxes, is as follows:

	Three Months Ended February 29 and 28,		Nine Months Ended February 29 and 28,	
	2012	2011	2012	2011
	(in millions)			
Net income	$ 560	$ 523	$ 1,674	$ 1,539
Other comprehensive income (loss):				
Changes in cumulative translation adjustment and other (1)	41	76	(92)	180
Changes due to cash flow hedging instruments:				
Net gain (loss) on hedge derivatives (2)	(9)	(89)	152	(164)
Reclassification to net income of previously deferred losses (gains) related to hedge derivative instruments (3)	(2)	(9)	65	(86)
Changes due to net investment hedges:				
Net gain (loss) on hedge derivatives (4)	(2)	(23)	23	(39)
Other comprehensive income (loss):	28	(45)	148	(109)
Total comprehensive income	$ 588	$ 478	$ 1,822	$ 1,430

(1) net of tax benefit (expense) of ($37) million, ($38) million, $29 million, and ($89) million, respectively.
(2) net of tax benefit (expense) of $3 million, $27 million, ($7) million, and $65 million, respectively.
(3) net of tax (benefit) expense of $0 million, $2 million, ($12) million, and $28 million, respectively.
(4) net of tax benefit (expense) of $0 million, $11 million, ($12) million, and $19 million, respectively.

NOTE 9 Stock-Based Compensation:

A committee of the Board of Directors grants stock options, stock appreciation rights, restricted stock and restricted stock units under the NIKE, Inc. 1990 Stock Incentive Plan (the 1990 Plan). The committee has granted substantially all stock appreciation rights and stock options at 100% of the market price on the date of grant. Substantially all stock option 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).

The Company accounts for stock-based compensation by estimating 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 operating overhead expense over the vesting period using the straight-line method.

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

	Three Months Ended February 29 and	Nine Months Ended February 29 and 28,

	28,			
	2012	2011	2012	2011
	(in millions)			
Stock Options [1]	$ 26	$ 21	$ 70	$ 56
ESPPs	4	3	12	11
Restricted Stock	4	4	13	11
Total stock-based compensation expense	$ 34	$ 28	$ 95	$ 78

(1) Expense for stock options includes the expense associated with stock appreciation rights. Accelerated stock option expense is recorded for employees eligible for accelerated stock option vesting upon retirement. Accelerated stock option expense for the three and nine month periods ended February 29, 2012 was $4 million and $12 million, respectively. The accelerated stock option expense for the three and nine month periods ended February 28, 2011 was $3 million and $9 million, respectively.

As of February 29, 2012, the Company had $177 million of unrecognized compensation costs from stock options, net of estimated forfeitures, to be recognized as operating overhead expense over a weighted average period of 2.5 years.

Table of Contents

NIKE, Inc.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The weighted average fair value per share of the options granted during the nine months ended February 29, 2012 and February 28, 2011 as computed using the Black-Scholes pricing model was $22.14 and $17.67, respectively. The weighted average assumptions used to estimate these fair values are as follows:

	Nine Months Ended February 29 and 28,	
	2012	2011
Dividend yield	1.4%	1.6%
Expected volatility	29.5%	31.5%
Weighted-average expected life (in years)	5.0	5.0
Risk-free interest rate	1.4%	1.7%

The Company estimates the expected volatility 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.

NOTE 10 Earnings Per Common Share:

The following is a reconciliation from basic earnings per share to diluted earnings per share. Options to purchase an additional 6.7 million and 0.2 million shares of common stock were outstanding for the three and nine month periods ended February 29, 2012 and February 28, 2011, respectively, but were not included in the computation of diluted earnings per share because the options were anti-dilutive.

	Three Months Ended February 29 and 28,		Nine Months Ended February 29 and 28,	
	2012	2011	2012	2011
	(in millions, except per share data)			
Determination of shares:				
Weighted average common shares outstanding	457.5	475.3	460.6	477.6
Assumed conversion of dilutive stock options and awards	9.8	10.2	9.6	10.1
Diluted weighted average common shares outstanding	467.3	485.5	470.2	487.7
Basic earnings per common share	$ 1.22	$ 1.10	$ 3.63	$ 3.22
Diluted earnings per common share	$ 1.20	$ 1.08	$ 3.56	$ 3.16

NOTE 11 Risk Management and Derivatives:

The Company is exposed to global market risks, including the effect of changes in foreign currency exchange rates and interest rates, and uses derivatives to manage financial exposures that occur in the normal course of business. The Company does not hold or issue derivatives for trading purposes.

The Company formally documents all relationships between designated hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions. This process includes linking all derivatives designated as hedges to either specific firm commitments or forecasted transactions.

The majority of derivatives outstanding as of February 29, 2012 are designated as cash flow, fair value or net investment hedges. All derivatives are recognized on the balance sheet at their fair value and classified based on the instrument s maturity date. The total notional amount of outstanding derivatives as of February 29, 2012 was approximately $8 billion, which is primarily comprised of cash flow hedges for Euro/U.S. Dollar, British Pound/Euro, and Japanese Yen/U.S. Dollar currency pairs.

Table of Contents

NIKE, Inc.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the fair values of derivative instruments included within the unaudited condensed consolidated balance sheet as of February 29, 2012 and May 31, 2011:

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	February 29, 2012	May 31, 2011	Balance Sheet Location	February 29, 2012	May 31, 2011
			(in millions)			
Derivatives formally designated as hedging instruments:						
Foreign exchange forwards and options	Prepaid expenses and other current assets	$ 93	$ 22	Accrued liabilities	$ 40	$ 170
Interest rate swap contracts	Prepaid expenses and other current assets	1		Accrued liabilities		
Foreign exchange forwards and options	Deferred income taxes and other long-term assets	22	7	Deferred income taxes and other long-term liabilities		10
Interest rate swap contracts	Deferred income taxes and other long-term assets	15	15	Deferred income taxes and other long-term liabilities		
Total derivatives formally designated as hedging instruments		131	44		40	180
Derivatives not formally designated as hedging instruments:						
Foreign exchange forwards and options	Prepaid expenses and other current assets	26	9	Accrued liabilities	34	16
Foreign exchange forwards and options	Deferred income taxes and other long-term assets			Deferred income taxes and other long-term liabilities	1	1
Total derivatives not formally designated as hedging instruments		26	9		35	17
Total derivatives		$ 157	$ 53		$ 75	$ 197

The following tables present the amounts affecting the unaudited condensed consolidated statements of income for the three and nine month periods ended February 29, 2012 and February 28, 2011:

Derivatives designated as hedges	**Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives(1)**		**Amount of Gain (Loss) Reclassified From Accumulated Other Comprehensive Income into Income(1)**		
	Three Months Ended February 29,	**Nine Months Ended**	**Location of Gain (Loss) Reclassified From Accumulated Other Comprehensive Income(1)**	**Three Months Ended February 29,**	**Nine Months Ended**

	2012	February 29, 2012		2012	February 29, 2012
	(in millions)			(in millions)	
Derivatives designated as cash flow hedges:					
Foreign exchange forwards and options	$ (12)	$ 5	Revenue	$	$ 14
Foreign exchange forwards and options	3	146	Cost of sales	(1)	(74)
Foreign exchange forwards and options			Selling and administrative expense	(1)	(3)
Foreign exchange forwards and options	(3)	8	Other (income) expense, net	4	(14)
Total designated cash flow hedges	$ (12)	$ 159		$ 2	$ (77)
Derivatives designated as net investment hedges:					
Foreign exchange forwards and options	$ (2)	$ 35	Other (income) expense, net	$	$

(1) For the three and nine month periods ended February 29, 2012, the Company recognized an immaterial amount of ineffectiveness from cash flow hedges.

Table of Contents

NIKE, Inc.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Derivatives designated as hedges	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives (1) Three Months Ended February 28, 2011	Nine Months Ended February 28, 2011	Location of Gain (Loss) Reclassified From Accumulated Other Comprehensive Income (1)	Amount of Gain (Loss) Reclassified From Accumulated Other Comprehensive Income into Income (1) Three Months Ended February 28, 2011	Nine Months Ended February 28, 2011
	(in millions)			(in millions)	
Derivatives designated as cash flow hedges:					
Foreign exchange forwards and options	$ (52)	$ (48)	Revenue	$ (7)	$ (30)
Foreign exchange forwards and options	(45)	(131)	Cost of sales	14	101
Foreign exchange forwards and options	(2)	(3)	Selling and administrative expense		1
Foreign exchange forwards and options	(17)	(47)	Other (income) expense, net	4	42
Total designated cash flow hedges	$ (116)	$ (229)		$ 11	$ 114
Derivatives designated as net investment hedges:					
Foreign exchange forwards and options	$ (34)	$ (58)	Other (income) expense, net	$	$

(1) For the three and nine month periods ended February 28, 2011, the Company recognized an immaterial amount of ineffectiveness from cash flow hedges.

	Amount of Gain (Loss) Recognized in Income on Derivatives: Three Months Ended February 29 and 28, 2012	2011	Nine Months Ended February 29 and 28, 2012	2011	Location of Gain (Loss) Recognized in Income on Derivatives
	(in millions)				
Derivatives designated as fair value hedges:					
Interest rate swaps (1)	$ 1	$ 2	$ 5	$ 5	Interest (income) expense, net
Derivatives not designated as hedging instruments:					
Foreign exchange forwards and options	$ (17)	$ 3	$ (14)	$ (28)	Other (income) expense, net

(1) All interest rate swap agreements meet the shortcut method requirements under the accounting standards for derivatives and hedging. Accordingly, changes in the fair values of the interest rate swap agreements are considered to exactly offset changes in the fair value of the underlying long-term debt. Refer to section Fair Value Hedges below for additional detail.

Refer to Note 4 Accrued Liabilities for derivative instruments recorded in accrued liabilities, Note 5 Fair Value Measurements for a description of how the above financial instruments are valued, and Note 8 Comprehensive Income for additional information on changes in other comprehensive income for the three and nine month periods ended February 29, 2012 and February 28, 2011.

Cash Flow Hedges

The purpose of the Company s foreign currency hedging activities is to protect the Company from the risk that the eventual cash flows resulting from transactions in foreign currencies will be adversely affected by changes in exchange rates. Foreign currency exposures that the Company may elect to hedge in this manner include product cost exposures, non-functional currency denominated external revenues, selling and administrative expenses, investments in U.S. dollar-denominated available-for-sale debt securities and certain intercompany transactions.

Product cost exposures are primarily generated through non-functional currency denominated product purchases and the foreign currency adjustment program described below. NIKE entities primarily purchase products in two ways: 1) Certain NIKE entities purchase from the NIKE Trading Company (NTC), a wholly-owned centralized sourcing hub that buys NIKE branded products in predominately U.S. dollars from external factories. The NTC, whose functional currency is the U.S. dollar, sells the products to NIKE entities in their respective functional currencies, resulting in a foreign currency exposure for the NTC when selling to a NIKE entity with a different functional currency; 2) Other NIKE entities purchase product directly from external factories in U.S. dollars. These purchases generate a foreign currency exposure for those NIKE entities with a functional currency other than the U.S. dollar.

In January 2012, the Company implemented a foreign currency adjustment program with certain factories. The program is designed to more efficiently manage foreign currency risk by assuming certain currency exposures from the factories that are natural offsets to the Company s existing foreign currency exposures. Under this program, the Company s payments to these factories are adjusted for rate fluctuations in the basket of currencies in which the labor, materials and overhead costs incurred by the factories in the production of NIKE branded products (factory input costs) are denominated (factory currency exposure index). For the portion of the indices denominated in the local or functional currency of the factory, which varies by factory, the Company may elect to place formally designated cash flow hedges. For all currencies within the indices, excluding the U.S. dollar and the local or functional currency of the factory, an embedded derivative is created upon the factory s acceptance of NIKE s purchase order. Embedded derivatives are separated from the related purchase order and their treatment is described further below.

NIKE, Inc.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company s policy permits the utilization of derivatives to reduce these foreign currency exposures where internal netting or other strategies cannot be effectively employed. Hedged transactions are denominated primarily in Euros, British Pounds and Japanese Yen. The Company enters into hedge contracts typically starting 12 to 18 months in advance of the forecasted transaction and may place incremental hedges up to 100% by the time the forecasted transaction occurs.

All changes in fair values of derivatives designated as cash flow hedges, excluding any ineffective portion, are recorded in other comprehensive income until net income is affected by the variability of cash flows of the hedged transaction. In most cases, amounts recorded in other comprehensive income will be released to net income some time after the maturity of the related derivative. Effective hedge results are classified within the consolidated statement of income in the same manner as the underlying exposure, with the results of hedges of non-functional currency denominated external revenues and product cost exposures, excluding embedded derivatives as described below, recorded in revenues and cost of sales, respectively, when the underlying hedged transaction affects consolidated net income. Results of hedges of selling and administrative expense are recorded together with those costs when the related expense is recorded. Results of hedges of anticipated purchases and sales of U.S. dollar-denominated available-for-sale securities are recorded in other (income) expense, net when the securities are sold. Results of hedges of certain anticipated intercompany transactions are recorded in other (income) expense, net when the transaction occurs. The Company classifies the cash flows at settlement from these designated cash flow hedge derivatives in the same category as the cash flows from the related hedged items, generally within the cash provided by operations component of the cash flow statement.

Premiums paid on options are initially recorded as deferred charges. The Company assesses the effectiveness of options based on the total cash flows method and records total changes in the options fair value to other comprehensive income to the degree they are effective.

As of February 29, 2012, $63 million of deferred net gains (net of tax) on both outstanding and matured derivatives accumulated in other comprehensive income are expected to be reclassified to net income during the next 12 months as a result of underlying hedged transactions also being recorded in net income. Actual amounts ultimately reclassified to net income are dependent on the exchange rates in effect when derivative contracts that are currently outstanding mature. As of February 29, 2012, the maximum term over which the Company is hedging exposures to the variability of cash flows for its forecasted transactions is 27 months.

The Company formally assesses, both at a hedge s inception and on an ongoing basis, whether the derivatives that are used in the hedging transaction have been highly effective in offsetting changes in the cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. Effectiveness for cash flow hedges is assessed based on forward rates.

The Company discontinues hedge accounting prospectively when (1) it determines that the derivative is no longer highly effective in offsetting changes in the cash flows of a hedged item (including hedged items such as firm commitments or forecasted transactions); (2) the derivative expires or is sold, terminated, or exercised; (3) it is no longer probable that the forecasted transaction will occur; or (4) management determines that designating the derivative as a hedging instrument is no longer appropriate.

When the Company discontinues hedge accounting because it is no longer probable that the forecasted transaction will occur in the originally expected period, but is expected to occur within an additional two-month period of time thereafter, the gain or loss on the derivative remains in accumulated other comprehensive income and is reclassified to net income when the forecasted transaction affects consolidated net income. However, if it is probable that a forecasted transaction will not occur by the end of the originally specified time period or within an additional two-month period of time thereafter, the gains and losses that were accumulated in other comprehensive income will be recognized immediately in net income. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company will carry the derivative at its fair value on the balance sheet, recognizing future changes in the fair value in other (income) expense, net. Ineffectiveness was not material for the three and nine month periods ended February 29, 2012 and February 28, 2011.

Fair Value Hedges

The Company is also exposed to the risk of changes in the fair value of certain fixed-rate debt attributable to changes in interest rates. Derivatives currently used by the Company to hedge this risk are receive-fixed, pay-variable interest rate swaps. As of February 29, 2012, all interest rate swap agreements are designated as fair value hedges of the related long-term debt and meet the shortcut method requirements under the accounting standards for derivatives and hedging. Accordingly, changes in the fair values of the interest rate swap agreements are considered to exactly offset changes in the fair value of the underlying long-term debt. The cash flows associated with the Company s fair value hedges are periodic interest payments while the swaps are outstanding, which are reflected in net income within the cash provided by operations component of the cash flow statement. The Company recorded no ineffectiveness from its interest rate swaps designated as fair value hedges for the three and nine month periods ended February 29, 2012 and February 28, 2011.

NIKE, Inc.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Net Investment Hedges

The Company also hedges the risk of variability in foreign-currency-denominated net investments in wholly-owned international operations. All changes in fair value of the derivatives designated as net investment hedges, except ineffective portions, are reported in the cumulative translation adjustment component of other comprehensive income along with the foreign currency translation adjustments on those investments. The Company classifies the cash flows at settlement of its net investment hedges within the cash used by investing component of the cash flow statement. The Company assesses hedge effectiveness based on changes in forward rates. The Company recorded no ineffectiveness from its net investment hedges for the three and nine month periods ended February 29, 2012 and February 28, 2011.

Embedded Derivatives

As described above, for currencies within the factory currency exposure indices that are neither the U.S. dollar nor the local or functional currency of the factory, an embedded derivative is created upon the factory s acceptance of NIKE s purchase order. Embedded derivatives are treated as foreign currency forward contracts that are bifurcated from the related purchase order and recorded at fair value as a derivative asset or liability on the balance sheet with their corresponding change in fair value recognized in other (income) expense, net from the date a purchase order is accepted by a factory through the date the purchase price is no longer subject to foreign currency fluctuations. At February 29, 2012, the notional amount of embedded derivatives was approximately $75 million. For the three and nine months ended February 29, 2012, embedded derivatives had an immaterial impact within other (income) expense, net.

Undesignated Derivative Instruments

The Company may elect to enter into foreign exchange forwards to mitigate the change in fair value of specific assets and liabilities on the balance sheet and/or the embedded derivative contracts explained above. These forwards are not designated as hedging instruments under the accounting standards for derivatives and hedging. Accordingly, these undesignated instruments are recorded at fair value as a derivative asset or liability on the balance sheet with their corresponding change in fair value recognized in other (income) expense, net, together with the re-measurement gain or loss from the hedged balance sheet position or embedded derivative contract. The Company classifies the cash flows at settlement from undesignated instruments in the same category as the cash flows from the related hedged items, generally within the cash provided by operations component of the cash flow statement.

Credit Risk

The Company is exposed to credit-related losses in the event of non-performance by counterparties to hedging instruments. The counterparties to all derivative transactions are major financial institutions with investment grade credit ratings. However, this does not eliminate the Company s exposure to credit risk with these institutions. This credit risk is limited to the unrealized gains in such contracts should any of these counterparties fail to perform as contracted. To manage this risk, the Company has established strict counterparty credit guidelines that are continually monitored and managed according to prescribed guidelines. The Company also utilizes a portfolio of financial institutions either headquartered or operating in the same countries in which the Company conducts its business.

The Company s derivative contracts contain credit risk related contingent features aiming to protect against significant deterioration in counterparties creditworthiness and their ultimate ability to settle outstanding derivative contracts in the normal course of business. The Company s bilateral credit related contingent features require the owing entity, either the Company or the derivative counterparty, to post collateral for the portion of the fair value in excess of $50 million should the fair value of outstanding derivatives per counterparty be greater than $50 million. Additionally, a certain level of decline in credit rating of either the Company or the counterparty could also trigger collateral requirements. As of February 29, 2012, the Company was in compliance with all such credit risk related contingent features. The aggregate fair value of derivative instruments with credit risk related contingent features that are in a net liability position at February 29, 2012 was $10 million. As of February 29, 2012, neither the Company nor its counterparties were required to post any collateral as a result of these contingent features. As a result of the above considerations, the Company considers the impact of the risk of counterparty default to be immaterial.

16

Table of Contents

NIKE, Inc.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 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. Each NIKE Brand geographic segment operates predominantly in one industry: the design, development, marketing and selling of sports and fitness footwear, apparel, and equipment. The Company s reportable operating segments for the NIKE Brand are: North America, Western Europe, Central & Eastern Europe, Greater China, Japan, and Emerging Markets. The Company s NIKE Brand Direct to Consumer operations are managed within each geographic segment.

The Company s Other category is broken into two components for presentation purposes to align with the way management views the Company. The Global Brand Divisions category primarily represents NIKE Brand licensing businesses that are not part of a geographic operating segment, demand creation and operating overhead expenses that are centrally managed for the NIKE Brand and costs associated with product development and supply chain operations. The Other Businesses category primarily consists of the activities of Cole Haan, Converse Inc., Hurley International LLC, NIKE Golf and Umbro Ltd. Activities represented in the Other category are considered immaterial for individual disclosure.

Corporate consists of unallocated general and administrative expenses, which includes expenses associated with centrally managed departments, depreciation and amortization related to the Company s headquarters, unallocated insurance and benefit programs, including stock-based compensation, certain foreign currency gains and losses, including hedge gains and losses, certain corporate eliminations and other items.

The primary financial measure used by the Company to evaluate performance of individual operating segments is earnings before interest and taxes (commonly referred to as EBIT), which represents net income before interest expense, net and income taxes in the unaudited condensed consolidated statements of income. Reconciling items for EBIT represent corporate expense items that are not allocated to the operating segments for management reporting.

As part of our centrally managed foreign exchange risk management program, standard foreign currency rates are assigned twice per year to each NIKE Brand entity in our geographic operating segments and certain Other Businesses. These rates are set approximately nine months in advance of the future selling season based on average market spot rates in the calendar month preceding the date they are established. Inventories and cost of sales for geographic operating segments and certain Other Businesses reflect use of these standard rates to record non-functional currency product purchases into the entity s functional currency. Differences between assigned standard foreign currency rates and actual market rates are included in Corporate together with foreign currency hedge gains and losses generated from our centrally managed foreign exchange risk management program and other conversion gains and losses.

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

Certain prior year amounts have been reclassified to conform to fiscal 2012 presentation.

Table of Contents

NIKE, Inc.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Three Months Ended February 29 and 28,		Nine Months Ended February 29 and 28,	
	2012	2011	2012	2011
	(in millions)			
Revenues				
North America	$ 2,149	$ 1,836	$ 6,415	$ 5,440
Western Europe	962	922	3,105	2,851
Central & Eastern Europe	275	253	870	746
Greater China	694	554	1,872	1,496
Japan	201	195	589	550
Emerging Markets	793	643	2,540	1,989
Global Brand Divisions	27	22	85	67
Total NIKE Brand	5,101	4,425	15,476	13,139
Other Businesses	753	671	2,199	2,013
Corporate	(8)	(17)	(17)	(56)
Total NIKE Consolidated Revenues	$ 5,846	$ 5,079	$ 17,658	$ 15,096

	Three Months Ended February 29 and 28,		Nine Months Ended February 29 and 28,	
	2012	2011	2012	2011
	(in millions)			
Earnings Before Interest and Taxes				
North America	$ 496	$ 419	$ 1,448	$ 1,218
Western Europe	149	163	464	588
Central & Eastern Europe	60	59	163	177
Greater China	273	213	664	551
Japan	24	31	93	94
Emerging Markets	215	173	652	491
Global Brand Divisions	(292)	(237)	(826)	(703)
Total NIKE Brand	925	821	2,658	2,416
Other Businesses	87	85	230	253
Corporate	(242)	(199)	(645)	(598)
Total NIKE Consolidated Earnings Before Interest and Taxes	770	707	2,243	2,071
Interest expense, net			3	
Total NIKE Consolidated Income Before Income Taxes	$ 770	$ 707	$ 2,240	$ 2,071

18

Table of Contents

NIKE, Inc.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	February 29, 2012	May 31, 2011
	(in millions)	
Accounts Receivable, net		
North America	$ 1,163	$ 1,069
Western Europe	450	500
Central & Eastern Europe	284	290
Greater China	201	140
Japan	119	153
Emerging Markets	528	466
Global Brand Divisions	35	23
Total NIKE Brand	2,780	2,641
Other Businesses	493	471
Corporate	23	26
Total NIKE Consolidated Accounts Receivable, net	$ 3,296	$ 3,138
Inventories		
North America	$ 1,159	$ 1,035
Western Europe	531	463
Central & Eastern Europe	163	150
Greater China	230	154
Japan	103	84
Emerging Markets	548	440
Global Brand Divisions	30	25
Total NIKE Brand	2,764	2,351
Other Businesses	576	416
Corporate	16	(52)
Total NIKE Consolidated Inventories	$ 3,356	$ 2,715
Property, Plant and Equipment, net		
North America	$ 354	$ 330
Western Europe	333	338
Central & Eastern Europe	28	13
Greater China	186	179
Japan	352	360
Emerging Markets	61	58
Global Brand Divisions	184	116
Total NIKE Brand	1,498	1,394
Other Businesses	148	164
Corporate	559	557
Total NIKE Consolidated Property, Plant and Equipment, net	$ 2,205	$ 2,115

NOTE 13 Commitments and Contingencies:

At February 29, 2012, the Company had letters of credit outstanding totaling $126 million. These letters of credit were issued primarily for the purchase of inventory and guarantees of the Company s performance under certain self-insurance and other programs.

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.

Ta