

NIKE INC

FORM 10-Q (Quarterly Report)

Filed 01/14/02 for the Period Ending 11/30/01

Address	ONE BOWERMAN DR BEAVERTON, OR 97005-6453
Telephone	5036713173
CIK	0000320187
Symbol	NKE
SIC Code	3021 - Rubber and Plastics Footwear
Industry	Footwear
Sector	Consumer Cyclical
Fiscal Year	05/31

NIKE INC

FORM 10-Q (Quarterly Report)

Filed 1/14/2002 For Period Ending 11/30/2001

Address	ONE BOWERMAN DR BEAVERTON, Oregon 97005-6453
Telephone	503-671-3173
CIK	0000320187
Industry	Footwear
Sector	Consumer Cyclical
Fiscal Year	05/31

Current assets:		
Cash and equivalents	\$ 459.8	\$ 304.0
Accounts receivable	1,659.9	1,621.4
Inventories (Note 5)	1,435.8	1,424.1
Deferred income taxes	100.9	113.3
Prepaid expenses and other current assets	242.5	162.5
	<hr/>	<hr/>
Total current assets	3,898.9	3,625.3
Property, plant and equipment	2,648.8	2,552.8
Less accumulated depreciation	1,021.8	934.0
	<hr/>	<hr/>
	1,627.0	1,618.8
Identifiable intangible assets and goodwill	391.0	397.3
Deferred income taxes and other assets	275.8	178.2
	<hr/>	<hr/>
	\$6,192.7	\$5,819.6
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Current portion of long-term debt	\$ 55.4	\$ 5.4
Notes payable	543.6	855.3
Accounts payable	379.2	432.0
Accrued liabilities	625.5	472.1
Income taxes payable	73.6	21.9
	<hr/>	<hr/>
Total current liabilities	1,677.3	1,786.7
Long-term debt	624.0	435.9
Deferred income taxes and other liabilities	119.4	102.2
Commitments and contingencies (Note 7)	--	--
Redeemable preferred stock	0.3	0.3
Shareholders' equity:		
Common stock at stated value:		
Class A convertible-98.6 and		
99.1 shares outstanding	0.2	0.2
Class B-169.4 and 169.5 shares		
outstanding	2.6	2.6
Capital in excess of stated value	472.2	459.4
Unearned stock compensation	(8.2)	(9.9)
Accumulated other comprehensive income	(110.0)	(152.1)
Retained earnings	3,414.9	3,194.3
	<hr/>	<hr/>
Total shareholders' equity	3,771.7	3,494.5
	<hr/>	<hr/>
	\$6,192.7	\$5,819.6
	=====	=====

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

NIKE, Inc.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Three Months Ended November 30,		Six Months Ended November 30,	
	2001	2000	2001	2000
	<hr/>	<hr/>	<hr/>	<hr/>
	(in millions, except per share data)			
Revenues	\$2,336.8	\$2,198.7	\$4,950.5	\$4,835.5
Costs and expenses:				
Cost of sales	1,441.4	1,327.3	3,026.2	2,896.6
Selling and administrative	677.7	673.1	1,374.0	1,374.2
Interest	12.3	16.7	25.2	32.1

Other (income) expense, net	6.5	(6.4)	12.0	13.6
	<u>2,137.9</u>	<u>2,010.7</u>	<u>4,437.4</u>	<u>4,316.5</u>
Income before income taxes and cumulative effect of accounting change	198.9	188.0	513.1	519.0
Income taxes	69.6	68.6	179.6	189.4
Income before cumulative effect of accounting change	129.3	119.4	333.5	329.6
Cumulative effect of accounting change, net of income taxes	-	-	5.0	-
Net income	<u>\$ 129.3</u> =====	<u>\$ 119.4</u> =====	<u>\$ 328.5</u> =====	<u>\$ 329.6</u> =====
Basic earnings per common share (Note 4):				
Before accounting change	0.48	0.44	1.24	1.22
Cumulative effect of accounting change	-	-	(0.02)	-
	<u>\$ 0.48</u> =====	<u>\$ 0.44</u> =====	<u>\$ 1.22</u> =====	<u>\$ 1.22</u> =====
Diluted earnings per common share (Note 4):				
Before accounting change	0.48	0.44	1.23	1.21
Cumulative effect of accounting change	-	-	(0.02)	-
	<u>\$ 0.48</u> =====	<u>\$ 0.44</u> =====	<u>\$ 1.21</u> =====	<u>\$ 1.21</u> =====
Dividends declared per common share	<u>\$ 0.12</u> =====	<u>\$ 0.12</u> =====	<u>\$ 0.24</u> =====	<u>\$ 0.24</u> =====

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

NIKE, Inc.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended November 30,	
	2001	2000
	(in millions)	
Cash provided (used) by operations:		
Net income	\$ 328.5	\$ 329.6
Income charges (credits) not affecting cash:		
Depreciation	107.0	92.5
Deferred income taxes	(6.2)	(2.0)
Amortization and other	32.7	14.8
Changes in other working capital components	(4.8)	(128.9)
	<u>457.2</u>	<u>306.0</u>
Cash provided (used) by investing activities:		
Additions to property, plant and equipment	(121.0)	(151.3)
Disposals of property, plant and equipment	7.4	6.0
Increase in other assets	(6.1)	(6.6)
Increase in other liabilities	3.6	6.4

Cash used by investing activities	(116.1)	(145.5)
	<hr/>	<hr/>
Cash provided (used) by financing activities:		
Proceeds from long-term debt issuance	249.3	0.1
Reductions in long-term debt including current portion	(3.4)	(50.4)
Decrease in notes payable	(311.7)	-
Proceeds from exercise of options	10.9	14.9
Repurchase of stock	(44.7)	(39.0)
Dividends on common stock	(64.4)	(64.8)
	<hr/>	<hr/>
Cash used by financing activities	(164.0)	(139.2)
	<hr/>	<hr/>
Effect of exchange rate changes on cash	(21.3)	49.9
Net increase in cash and equivalents	155.8	71.2
Cash and equivalents, May 31, 2001 and 2000	304.0	254.3
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Cash and equivalents, November 30, 2001 and 2000	\$ 459.8 =====	\$ 325.5 =====

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

NIKE, Inc.

NOTES TO 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 presentation of the results of operations for the interim periods. 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 six (6) months ended November 30, 2001 are not necessarily indicative of results to be expected for the entire year.

Certain prior year amounts have been reclassified to conform to fiscal year 2002 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

NOTE 2 - Financial Risk Management and Derivatives:

In addition to the financial risks discussed in Note 2 to our Condensed Consolidated Financial Statements in our Form 10-Q for the period ended August 31, 2001, the Company is exposed to the risk of changes in the fair value of certain fixed-rate debt attributable to changes in interest rates.

As discussed in the previous quarter, in August 2001 the Company issued a \$250 million corporate bond, maturing in August 2006, with a fixed interest rate of 5.5%. In November 2001 the Company entered into interest rate swap agreements totaling \$250 million and maturing in August 2006, whereby the Company receives fixed interest payments at 5.5% and pays variable interest payments based on the London Inter Bank Offering Rate (LIBOR) plus a spread. LIBOR for the swap agreements resets every three months, beginning in February 2002. At November 30, 2001, the interest rates on the swap agreements were approximately 3.4%.

The interest rate swap agreements are designated as fair value hedges of the \$250 million corporate bond and meet the shortcut method requirements under Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities". Accordingly, interest expense on the corporate bond is recorded based on the variable rates paid under the interest rate swap agreements, and changes in the fair values of the interest rate swap agreements exactly offset changes in the fair value of the corporate bond. The critical terms of the interest rate swap agreements exactly match the critical terms of the corporate bond. Therefore, the swaps are perfectly effective.

The fair values of the interest rate swap agreements are classified in the Company's balance sheet at November 30, 2001 as other long-term liabilities and totaled a \$7.4 million unrealized loss. As noted above, this unrealized loss is exactly offset by an unrealized gain of \$7.4 million on the corporate bond, which is classified as long-term debt.

NOTE 3 - Comprehensive Income:

Comprehensive income, net of taxes, is as follows:

	Three Months Ended November 30,		Six Months Ended November 30,	
	2001	2000	2001	2000
	(in millions)			
Net Income	\$129.3	\$119.4	\$328.5	\$329.6
Other Comprehensive Income:				
Change in cumulative foreign currency translation adjustment	(24.8)	(15.5)	(6.7)	(28.2)
Change in unrealized gain/loss in securities	-	0.2	-	(3.6)
Recognition in net income of previously deferred unrealized loss on securities, due to accounting change	-	-	3.4	-
Changes due to cash flow hedging instruments:				
Initial recognition of net deferred gain as of June 1, due to accounting change	-	-	53.4	-
Net deferred gain	38.1	-	1.8	-
Reclassification to net income of previously deferred net gains	(3.2)	-	(9.8)	-
Net change due to cash flow hedging Instruments	34.9	-	45.4	-
Total Comprehensive Income	\$139.4 =====	\$104.1 =====	\$370.6 =====	\$297.8 =====

NOTE 4 - Earnings Per Common Share:

The following represents a reconciliation from basic earnings per share to diluted earnings per share. Options to purchase 7.7 million and 9.7 million shares of common stock were outstanding at November 30, 2001 and November 30, 2000, respectively, but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of common shares and, therefore, the effect would be antidilutive.

	Three Months Ended November 30,		Six Months Ended November 30,	
	2001	2000	2001	2000
	(in millions, except per share data)			
Determination of shares:				
Average common shares outstanding	268.1	269.8	268.3	269.8
Assumed conversion of dilutive stock options and awards	3.5	3.4	3.3	3.7
Diluted average common shares outstanding	271.6 =====	273.2 =====	271.6 =====	273.5 =====
Basic earnings per common share:				
Before cumulative effect of accounting change	0.48	0.44	1.24	1.22
Cumulative effect of accounting change	-	-	(0.02)	-
	\$ 0.48 =====	\$ 0.44 =====	\$ 1.22 =====	\$ 1.22 =====
Diluted earnings per common share:				
Before cumulative effect of				

accounting change	0.48	0.44	1.23	1.21
Cumulative effect of accounting change	-	-	(0.02)	-
	<u>\$ 0.48</u>	<u>\$ 0.44</u>	<u>\$ 1.21</u>	<u>\$ 1.21</u>
	=====	=====	=====	=====

NOTE 5 - Inventories:

Inventories by major classification are as follows:

	Nov. 30, 2001	May 31, 2001
	(in millions)	
Finished goods	\$1,415.2	\$1,399.4
Work-in-progress	12.6	15.1
Raw materials	8.0	9.6
	<u>\$1,435.8</u>	<u>\$1,424.1</u>
	=====	=====

NOTE 6 - Operating Segments:

The Company's major operating segments are defined by geographic regions for subsidiaries participating in NIKE brand sales activity. "Other" as shown below represents activity for Cole-Haan Holdings, Inc., Bauer NIKE Hockey, Inc., and NIKE IHM, Inc., which are considered immaterial for individual disclosure. Where applicable, "Corporate" represents items necessary to reconcile to the consolidated financial statements, which generally include corporate activity and corporate eliminations. The segments are evidence of the structure of the Company's internal organization. Each NIKE brand geographic segment operates predominantly in one industry: the design, production, marketing and selling of sports and fitness footwear, apparel, and equipment.

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 management pre-tax income. On a consolidated basis, this amount represents Income before income taxes and cumulative effect of accounting change as shown in the Condensed Consolidated Statement of Income. Reconciling items for management pre-tax income represent corporate costs that are not allocated to the operating segments for management reporting and intercompany eliminations for specific income statement items.

Accounts receivable, inventory, and fixed assets for operating segments are regularly reviewed and therefore provided:

	Three Months Ended November 30,		Six Months Ended November 30,	
	2001	2000	2001	2000
	(in millions)			
Net Revenue				
USA	\$1,161.5	\$1,131.1	\$2,466.5	\$2,483.0
EUROPE, MIDDLE EAST, AFRICA	582.9	512.1	1,341.9	1,287.6
ASIA PACIFIC	324.6	292.1	588.3	532.6
AMERICAS	154.3	147.6	314.4	297.7
OTHER	113.5	115.8	239.4	234.6
	<u>\$2,336.8</u>	<u>\$2,198.7</u>	<u>\$4,950.5</u>	<u>\$4,835.5</u>
	=====	=====	=====	=====
Management Pre-Tax Income				
USA	\$ 226.8	\$ 206.1	\$ 504.8	\$ 491.9
EUROPE, MIDDLE EAST, AFRICA	55.0	60.6	190.9	201.6
ASIA PACIFIC	78.9	64.8	128.1	101.4
AMERICAS	27.9	30.0	54.8	54.8
OTHER	(1.9)	13.7	6.2	30.7
CORPORATE	(187.8)	(187.2)	(371.7)	(361.4)
	<u>\$ 198.9</u>	<u>\$ 188.0</u>	<u>\$ 513.1</u>	<u>\$ 519.0</u>
	=====	=====	=====	=====
	Nov. 30, 2001	May 31, 2001		
	-----	-----		

Accounts Receivable, net		
USA	\$ 663.5	\$ 622.5
EUROPE, MIDDLE EAST, AFRICA	484.2	512.5
ASIA PACIFIC	177.7	194.8
AMERICAS	181.4	144.7
OTHER	128.2	118.6
CORPORATE	24.9	28.3
	<u>\$1,659.9</u>	<u>\$1,621.4</u>
	=====	=====
Inventories, net		
USA	\$ 731.2	\$ 744.2
EUROPE, MIDDLE EAST, AFRICA	334.5	298.3
ASIA PACIFIC	140.4	125.8
AMERICAS	76.1	72.4
OTHER	133.8	156.4
CORPORATE	19.8	27.0
	<u>\$1,435.8</u>	<u>\$1,424.1</u>
	=====	=====
Property, Plant and Equipment, net		
USA	\$ 259.2	\$ 263.5
EUROPE, MIDDLE EAST, AFRICA	203.7	208.2
ASIA PACIFIC	393.7	403.5
AMERICAS	14.7	15.4
OTHER	109.6	113.4
CORPORATE	646.1	614.8
	<u>\$1,627.0</u>	<u>\$1,618.8</u>
	=====	=====

NOTE 7 - Commitments and Contingencies:

At November 30, 2001, the Company had letters of credit outstanding totaling \$883.7 million. These letters of credit were issued for the purchase of inventory.

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

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

Operating Results

Net income for the second quarter of fiscal 2002 was \$129.3 million, an 8.3% increase compared to net income reported in the second quarter of fiscal 2001. The increase in net income for the quarter reflected a 5.8% increase in pre-tax income. The increase in quarterly pre-tax income was driven by a 6.3% increase in revenues, from \$2,198.7 million to \$2,336.8 million, as well as lower selling and administrative expense as a percentage of revenues and lower interest expense. A decrease in our gross margin percentage from 39.6% to 38.3% and higher other expense partially offset these improvements to pre-tax income.

Quarterly net income improved at a higher rate than pre-tax income due to a 1.5 point reduction in our effective tax rate. Quarterly earnings per share improved 9.1%, from \$0.44 to \$0.48, a slightly higher rate than net income due to share repurchases over the past year.

Year-to-date net income in fiscal 2002 (excluding a loss of \$5.0 million related to the cumulative effect of an accounting change) was \$333.5 million, an increase of 1.2% over the same period in fiscal 2001. Slower revenue growth on a year-to-date basis drove year-to-date net income growth down as compared to the growth in net income in the second quarter.

Consolidated revenues increased 6.3% for the quarter. Had foreign exchange rates remained constant, the increase in revenues for the quarter would have been 7.6%.

Most of our revenue growth occurred in our international regions, which accounted for 45.4% of total company revenues in the second quarter of fiscal 2002, compared to 43.2% in the second quarter of fiscal 2001. Revenues from our international regions reported in U.S. dollars increased 11.6%, a 14.6% increase in constant dollars. In the Europe, Middle East, and Africa (EMEA) region, quarterly reported revenues increased 13.8%, or 10.6% in constant dollars. Strong growth in EMEA footwear revenues, which posted a 24.4% increase in the quarter, drove the result. This increase was due to higher prices and higher unit sales, as well as a higher-priced product mix as compared to the second quarter of last year.

In the Asia Pacific region, quarterly reported revenues increased 11.2% in the second quarter but 22.5% in constant dollars, reflecting significant Asian currency weakness compared to the U.S. dollar year-over-year. We achieved revenue growth in all business units in the

region during the quarter, reflecting increasingly strong demand for NIKE brand products.

In the Americas region, reported revenues were up 4.5% in the second quarter, which represented 12.9% growth in constant dollars. Current uncertain economic conditions in Argentina may negatively affect revenues in this region during the remainder of the fiscal year, although we do not expect that the negative effect will be significant to our consolidated operating results.

Revenues in the U.S. region were up 2.5% in the second quarter of fiscal 2002. Growth in the U.S. apparel and equipment businesses drove the revenue increase for the region. U.S. apparel revenues increased 9.9% in the second quarter, as increased demand for NIKE brand apparel more than offset declines in licensed apparel sales due to the expiration of our agreement with the National Football League. Close-out sales of apparel increased during the quarter due to our decision to manage apparel inventory levels more aggressively, improving storage efficiency in our warehouses and minimizing the amount of inventory converted into the new supply chain systems implemented in December. U.S. equipment revenues grew 14.3% in the second quarter, driven by growth in sales of golf products as well as bags, socks, and sports accessories. In addition, a portion of the U.S. revenue increase reflected early shipments of footwear, apparel, and equipment products prior to our warehouse shutdown in November, due to the implementation of new U.S. supply chain systems at the beginning of December.

U.S. NIKE brand footwear revenues decreased 2.2%, reflecting a slight increase in in-line sales, offset by a drop in close-out sales. These results represent an improvement over the last quarter, when U.S. footwear sales decreased 7.0% as compared to the previous year.

Consolidated revenues increased 2.4% for the year-to-date period. Had foreign exchange rates remained constant, the increase in revenues for the year-to-date period would have been 5.1%. Year-to-date revenue growth was not as strong as the second quarter revenue growth primarily due to the drop in sales of U.S. footwear in the first quarter of this year compared to the first quarter of last year.

The uncertain economic conditions following the terrorist attacks of September 11, 2001 negatively affected U.S. NIKE brand revenues in the second quarter, particularly at NIKE-owned retail stores and wholesale sales of equipment. (Our apparel and footwear wholesale businesses were not affected as severely because a large portion of their second quarter revenues derived from orders placed several months in advance, prior to the September 11 attacks.) In addition, revenues from our Cole Haan business were also negatively affected, most significantly at company-owned retail stores. Although significant uncertainty continues to exist with respect to the future prospects for the U.S. and world economies, we continue to expect earnings growth for the full fiscal year.

The breakdown of revenues follows. "Other" as shown below includes revenues from our subsidiaries Bauer NIKE Hockey, Inc. and Cole-Haan Holdings, Inc.

	Three Months Ended November 30,			Six Months Ended November 30,		
	2001	2000	% change	2001	2000	% change
	(in millions)					
U.S.A. REGION						
FOOTWEAR	\$689.6	\$705.0	-2%	\$1,559.3	\$1,640.0	-5%
APPAREL	381.0	346.6	10%	705.2	672.5	5%
EQUIPMENT AND OTHER	90.9	79.5	14%	202.0	170.5	18%
TOTAL U.S.A.	1,161.5	1,131.1	3%	2,466.5	2,483.0	-1%
EMEA REGION						
FOOTWEAR	315.2	253.3	24%	741.8	677.2	10%
APPAREL	228.9	218.0	5%	504.7	514.7	-2%
EQUIPMENT AND OTHER	38.8	40.8	-5%	95.4	95.7	0%
TOTAL EMEA	582.9	512.1	14%	1,341.9	1,287.6	4%
ASIA PACIFIC REGION						
FOOTWEAR	164.4	153.3	7%	331.5	305.3	9%
APPAREL	131.0	115.9	13%	201.0	180.6	11%
EQUIPMENT AND OTHER	29.2	22.9	28%	55.8	46.7	19%
TOTAL ASIA PACIFIC	324.6	292.1	11%	588.3	532.6	10%
AMERICAS REGION						
FOOTWEAR	100.1	100.8	-1%	199.2	202.3	-2%
APPAREL	45.6	40.0	14%	95.3	82.2	16%
EQUIPMENT AND OTHER	8.6	6.8	26%	19.9	13.2	51%

TOTAL AMERICAS	154.3	147.6	5%	314.4	297.7	6%
TOTAL NIKE BRAND	2,223.3	2,082.9	7%	4,711.1	4,600.9	2%
OTHER	113.5	115.8	-2%	239.4	234.6	2%
TOTAL REVENUES	\$2,336.8	\$2,198.7	6%	\$4,950.5	\$4,835.5	2%
	=====	=====		=====	=====	

</TABLE

Our quarterly gross margin percentage declined 1.2 points, from 39.6% to 38.3%. The primary drivers of the decrease are discussed following:

- 1) Weaker foreign currencies compared to the same period last year negatively affected margins internationally, particularly in our EMEA region.
- 2) The weaker economy following the September 11 attacks had a significant impact on Cole Haan margins, which decreased due to additional discounting, inventory obsolescence, and returns.
- 3) U.S. apparel close-out sales increased versus the prior year, and pricing margins on these close-outs were lower. These results were due to our decision to manage inventory levels more aggressively in advance of our December supply chain system implementation.
- 4) The start-up of new NIKE-owned distribution facilities in Japan lowered margins in Asia Pacific.

These negative impacts to our gross margin percentage were partially offset by higher prices and a more favorable product mix attained on EMEA footwear and apparel sales, as well as lower product costs on apparel in the U.S. and EMEA regions due to improved factory sourcing.

Our year-to-date gross margin percentage also declined 1.2 points, from 40.1% to 38.9%. In addition to the second quarter factors discussed above, margins on U.S. team apparel sales were lower in the first quarter of fiscal 2002 as compared to the same period last year.

Selling and administrative expense was \$677.7 million in the second quarter of fiscal 2002 versus \$673.1 million in the second quarter of fiscal 2001. Year-to-date, selling and administrative expense was \$1,374.0 million in the current fiscal year versus \$1,374.2 million in the prior fiscal year. As a percentage of revenues, selling and administrative expense decreased 1.6 points and 0.6 points for the quarter and year-to-date period, respectively. Lower demand creation spending drove the decrease in selling and administrative expense as a percentage of revenues for both the quarter and year-to-date period. Demand creation spending in the quarter was \$235.3 million versus \$248.4 million in the prior year, and year-to-date demand creation spending was \$492.6 million versus \$532.7 million during the same period last year. The most significant driver of the decrease between years is the significant expense we incurred in the prior year related to the 2000 Summer Olympics and the 2000 European Football Championships. Partially offsetting the decrease to demand creation expense was spending on brand marketing initiatives in EMEA focused on soccer and on apparel. We expect demand creation spending will increase for the full fiscal year 2002 versus fiscal year 2001, with the spending focused in the second half of the year.

Lower demand creation spending during the second quarter and year-to-date period was also offset by increased operational overhead. Of the various factors driving operational overhead higher, the most significant was increased headcount in EMEA as compared to the same period last year. The increased headcount supports the on-going growth of our business in this region and also reflects the conversion of certain Eastern European markets from independent distributorships to direct NIKE ownership over the past year.

Second quarter interest expense decreased from \$16.7 million to \$12.3 million, a decline of 26.3%. Year-to-date interest expense decreased from \$32.1 million to \$25.2 million, a decline of 21.5%. The decrease reflected lower interest rates in the current year and lower average debt levels as we have used operating free cash flow to reduce debt.

Other income/expense was net expense of \$6.5 million compared to net income for the same quarter of last year of \$6.4 million. Year-to-date, other income/expense was a net expense of \$12.0 million compared to a net expense \$13.6 million in the prior year. Significant amounts included in other income/expense were interest income, profit sharing expense, goodwill amortization, and certain foreign currency gains and losses.

Our effective tax rate for the quarter and year-to-date period was 35.0%, compared to 36.5% for the quarter and year-to-date period in the prior year. The drop in the rate was primarily due to lower taxes on a portion of foreign earnings that have been permanently reinvested offshore.

Futures Orders

Worldwide futures and advance orders for NIKE brand athletic footwear and apparel scheduled for delivery from December 2001 through April 2002 were 8% higher than such orders booked in the comparable period of fiscal 2001. The percentage growth in these orders is not necessarily indicative of our expectation of revenue growth in subsequent periods. 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 can cause differences in the comparisons between future orders and actual revenues. Finally, a significant portion of our revenue is not derived from futures orders, including wholesale sales of equipment, U.S. licensed team apparel, Bauer NIKE Hockey, and Cole Haan, and retail sales across

all brands. For the period from December 2001 through April 2002, we expect several factors may reduce actual revenue growth below the level of futures order growth:

- We shut down our U.S. distribution facilities at the end of November to prepare for implementation of our new supply chain systems in early December. To ensure December orders would be delivered to our customers on time, we shipped some December futures orders in November.
- In the uncertain economic environment following September 11, 2001, we reduced our factory orders for product to be delivered during this period in order to minimize the risk of excess inventory.
- As in the second quarter, we expect lower footwear close-out sales and other at-once order sales in the U.S. as compared to the prior year, reflecting our recent efforts to limit the availability of these footwear products in the marketplace.

Euro Conversion

On January 1, 1999, eleven of the fifteen member countries of the European Union established permanent, fixed conversion rates between their existing currencies and the European Union's new common currency, the euro. In January 2001, an additional country, Greece, also established a fixed conversion rate to the euro. During the transition period that ended December 31, 2001, public and private parties were able to pay for goods and services using either the euro or the participating country's legacy currency. On January 1, 2002, euro denominated bills and coins were issued and began circulating. Most participating countries plan to withdraw legacy currencies from circulation by February 28, 2002.

We have made modifications to information technology systems supporting marketing, order management, purchasing, invoicing, payroll, financial reporting, and cash management functions, in order to make them euro compliant. In addition, our sales and retail systems have been modified where appropriate. All major systems have been converted and are euro compliant.

We believe the introduction of the euro may create a move towards a greater level of wholesale price harmonization, although differing country costs and value added tax rates will continue to result in price differences at the retail level. Over the past four years, we have been actively working to assess and, where necessary, adjust pricing practices to operate effectively in this new environment.

The costs of adapting our systems and practices to the implementation of the euro were generally related to the modification of existing systems and totaled approximately \$8 million. These costs were expensed as incurred, primarily in fiscal 2000. We believe that the conversion to the euro will not have a material impact on our financial condition or results of operations.

Recently Issued Accounting Standards

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 141, "Business Combinations" (FAS 141) and Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" (FAS 142). FAS 141 requires the purchase method of accounting to be used for all business combinations initiated after June 30, 2001. FAS 141 also specifies criteria that intangible assets acquired must meet to be recognized and reported separately from goodwill. The adoption of FAS 141 will not have any material effect on our results of operations or financial position.

FAS 142 requires that goodwill and intangible assets with indefinite lives no longer be amortized but instead be measured for impairment at least annually, or when events indicate that an impairment exists. Our adoption date will be June 1, 2002. As of that date, amortization of goodwill and other indefinite-lived intangible assets, including those recorded in past business combinations, will cease. As a result of the elimination of this amortization, other expense will decrease by approximately \$13 million annually.

As required by FAS 142, we will perform impairment tests on goodwill and other indefinite-lived intangible assets as of the adoption date. Thereafter, we will perform impairment tests annually and whenever events or circumstances indicate that the value of goodwill or other indefinite-lived intangible assets might be impaired. In connection with the FAS 142 transitional goodwill impairment test, we will utilize the required two-step method for determining goodwill impairment as of the adoption date. To accomplish this, we will identify our reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the adoption date. We will then have up to six months from the adoption date to determine the fair value of each reporting unit and compare it to the carrying amount of the reporting unit. To the extent the carrying amount of a reporting unit exceeds the fair value of the reporting unit, we then will perform the second step of the transitional impairment test. If necessary, in the second step, we will compare the implied fair value of the reporting unit goodwill with the carrying amount of the reporting unit goodwill, both of which would be measured as of the adoption date. The implied fair value of goodwill will be determined by allocating the fair value of the reporting unit to all of the assets (recognized and unrecognized) and liabilities of the reporting unit in a manner similar to a purchase price allocation, in accordance with FAS 141. The residual fair value after this allocation will be the implied fair value of the reporting unit goodwill. We will record a transitional impairment loss for the excess of the carrying value of goodwill allocated to the reporting unit over the implied fair value. FAS 142 requires that this second step be completed as soon as possible, but no later than the end of the year of adoption.

In connection with the FAS 142 indefinite-lived intangible asset impairment test, we will utilize the required one-step method to determine whether an impairment exists as of the adoption date. The test will consist of a comparison of the fair values of indefinite-lived intangible assets with the carrying amounts. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, we will recognize an impairment loss in an amount equal to that excess.

We have not yet determined the impact of FAS 142's impairment test provisions on our results of operations and financial position; however,

the possibility exists that we will incur a significant transitional impairment loss. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in our income statement during the quarter ending August 31, 2002.

Liquidity and Capital Resources

Cash provided by operations was \$457.2 million in the first six months of fiscal 2002, which compared to \$306.0 million in the first six months of fiscal 2001. Our primary source of operating cash flow was net income of \$328.5 million. Operating cash flow in the current period exceeded that from the same period last year as a smaller increase in working capital used less cash.

Total cash used by investing activities during the first half of fiscal 2002 was \$116.1 million, compared to \$145.5 million invested during the first half of fiscal 2001. The decrease reflected lower capital spending on our campus expansion, which we have completed, and on our new distribution facilities in Japan, which began operating in April 2001. The most significant capital expenditures during the six-month period of fiscal 2002 were related to computer equipment and software, driven by our supply chain initiative. In addition, we continued to invest in new NIKE-owned retail stores.

Net cash used by financing activities in the first half of fiscal 2002 was \$164.0 million, up from \$139.2 million in the first quarter of the prior year. This amount included uses of cash for dividends to shareholders, a net reduction of short-term debt, and share repurchases. These uses of cash were partially offset by proceeds from the exercise of employee stock options.

The share repurchases were part of a \$1 billion share repurchase program that began in fiscal 2001, after completion of a four-year, \$1 billion program in fiscal 2000. In the second quarter of fiscal 2002, we purchased a total of 525,000 shares of NIKE's Class B common stock for \$24.7 million. We expect to fund the current program from operating free cash flow. The timing and the amount of shares purchased will be dictated by our capital needs and stock market conditions.

On October 10, 2001, we filed a debt registration statement with the Securities and Exchange Commission for \$1 billion. We had \$250 million remaining under our shelf registration statement filed in April 1999, which was incorporated into the new \$1 billion registration. This registration statement is not yet effective, and we have not issued any debt under the registration statement.

As discussed in the previous quarter, in August 2001 we issued a \$250 million corporate bond, maturing in August 2006, with a fixed interest rate of 5.5%. In November 2001 we entered into interest rate swap agreements totaling \$250 million and maturing in August 2006, whereby we receive fixed interest payments at 5.5% and pay variable interest payments based on the London Inter Bank Offering Rate (LIBOR) plus a spread. LIBOR for the swap agreements resets every three months, beginning in February 2002. At November 30, 2001, the interest rates on these swap agreements were approximately 3.4%.

On November 16, 2001, we renewed our 364-day committed credit facility with a group of 20 banks. The facility is a revolver due 364 days from the renewal date. We reduced the amount of the facility from \$750.0 million to \$600.0 million upon renewal. We currently do not have any outstanding borrowings under this facility or under our four-year \$500.0 million revolver. Under the renewed facility, the interest rate, facility fees, and minimum specified financial ratios with which we must be in compliance have not changed from those disclosed in our Form 10-K for the year ended May 31, 2001.

We currently believe that cash generated by operations, together with access to external sources of funds, will be sufficient to meet our operating and capital needs. Significant short and long-term lines of credit are maintained with banks, which, along with cash on hand, provide adequate operating liquidity. Liquidity is also provided by our commercial paper program, under which there was \$432.6 million and \$710.0 million outstanding at November 30, 2001 and May 31, 2001, respectively.

At November 30, 2001, letters of credit of \$883.7 million were outstanding for the purchase of inventories.

Dividends per share of common stock for the second quarter of fiscal 2002 remained at \$.12 per share, the same level as the previous year.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Please see Note 2 to the Condensed Consolidated Financial Statements for a discussion of a change to our disclosure about market risk made in the Annual Report on Form 10-K for the fiscal year ended May 31, 2001. There were no other material changes to this matter.

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. 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 S.E.C., including 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 material changes from the information previously reported under Item 3 of the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2001.

Item 6. Exhibits and Reports on Form 8-K:

(a) EXHIBITS:

- 3.1 Restated Articles of Incorporation, as amended (incorporated by reference from Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1995).
- 3.2 Third Restated Bylaws, as amended (incorporated by reference from Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1995).
- 4.1 Restated Articles of Incorporation, as amended (see Exhibit 3.1).
- 4.2 Third Restated Bylaws, as amended (see Exhibit 3.2).
- 4.3 Indenture between the Company and The First National Bank of Chicago, as Trustee (incorporated by reference from Exhibit 4.01 to Amendment No. 1 to Registration Statement No. 333-15953 filed by the Company on November 26, 1996).
- 10.1 Credit Agreement dated as of November 17, 2000 among NIKE, Inc., Bank of America, N.A., individually and as Agent, and the other banks party thereto (incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2000).
- 10.2 First Amendment to Credit Agreement dated as of November 16, 2001

(see Exhibit 10.1).

- 10.3 Form of non-employee director Stock Option Agreement (incorporated by reference from Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2000).*
- 10.4 Form of Indemnity Agreement entered into between the Company and each of its officers and directors (incorporated by reference from the Company's definitive proxy statement filed in connection with its annual meeting of shareholders held on September 21, 1987).
- 10.5 NIKE, Inc. 1990 Stock Incentive Plan (incorporated by reference from the Company's definitive proxy statement filed in connection with its annual meeting of shareholders held on September 18, 2000).*
- 10.6 NIKE, Inc. Executive Performance Sharing Plan (incorporated by reference from the Company's definitive proxy statement filed in connection with its annual meeting of shareholders held on September 18, 2000).*
- 10.7 NIKE, Inc. Long-Term Incentive Plan (incorporated by reference from the Company's definitive proxy statement filed in connection with its annual meeting of shareholders held on September 22, 1997).*
- 10.8 Collateral Assignment Split-Dollar Agreement between NIKE, Inc. and Philip H. Knight dated March 10, 1994 (incorporated by reference from Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1994).*
- 10.9 Covenant Not To Compete And Non-Disclosure Agreement between NIKE, Inc. and Thomas E. Clarke dated August 31, 1994 (incorporated by reference from Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2001).*
- 10.10 Covenant Not To Compete And Non-Disclosure Agreement between NIKE, Inc. and Mark G. Parker dated October 6, 1994 (incorporated by reference from Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2001).*
- 10.11 NIKE, Inc. Deferred Compensation Plan dated January 1, 2000 (incorporated by reference from Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2001).*

12.1 Computation of Ratio of Earnings to Fixed Charges.

* Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K:

Reports on Form 8-K filed during the second quarter ended November 30, 2001:

September 13, 2001: Item 5. Other Events. Rescheduling of First Quarter Earnings Release and Annual Meeting of Shareholders.

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

BY:/s/ Donald W. Blair

Donald W. Blair Chief Financial Officer

DATED: January 14, 2002

FIRST AMENDMENT TO CREDIT AGREEMENT

Dated as of November 16, 2001

among

NIKE, INC.,
as the Borrower,

BANK OF AMERICA, N.A.,
as Administrative Agent,

CITICORP USA, INC.,
as Syndication Agent,

BANK ONE, NA,
HSBC BANK USA,
and
THE BANK OF TOKYO-MITSUBISHI, LTD.

as Co-Documentation Agents,

and

THE BANKS PARTY HERETO

Joint Lead Arrangers and Joint Book Managers:

BANC OF AMERICA SECURITIES LLC
and
SALOMON SMITH BARNEY INC.

NIKE, INC.
FIRST AMENDMENT
TO CREDIT AGREEMENT
(364-Day Facility)

This FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is dated as of November 16, 2001 and entered into by and among NIKE, Inc. (the "Borrower"), the financial institutions listed on the signature pages hereof (the "Facility B Banks"), Bank of America, N.A., as Administrative Agent, Citicorp USA, Inc., as Syndication Agent, Bank One, N.A., HSBC Bank USA, and The Bank of Tokyo-Mitsubishi, Ltd., as Co-Documentation Agents, and is made with reference to that certain Credit Agreement dated as of November 17, 2000 (as amended or otherwise modified up to the date hereof, the "Credit Agreement"), by and among the parties thereto. Capitalized terms used herein without definition shall have the same meanings herein as set forth in the Credit Agreement.

RECITALS

WHEREAS, the Borrower and the Facility B Banks desire to amend the Credit Agreement (a) to extend the Facility B Termination Date for an additional 364 day period, (b) adjust the Facility B Commitments, and (c) amend the definition of "Applicable Facility Fee Rate" with respect to the Facility B Commitments and amend the definition of "Applicable Margin" with respect to the Facility B Loans;

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

Section 1. AMENDMENTS TO THE CREDIT AGREEMENT

1.1 Amendments to Article I: Definitions

A. Section 1.1 of the Credit Agreement is hereby amended by deleting in the definition of "Applicable Facility Fee Rate" the Facility B Commitments column and substituting in lieu thereof the following:

"Applicable Rating
Level

Facility B Commitments

Level I	5.0
Level II	5.0
Level III	6.0
Level IV	8.0
Level V	8.0
Level VI	8.0"

B. Section 1.1 of the Credit Agreement is hereby further amended by deleting in the definition of "Applicable Margin" the Facility B Loans column and substituting in lieu thereof the following column:

"Applicable Rating Level	Facility B Loans
Level I	17.5
Level II	17.5
Level III	24.0
Level IV	32.0
Level V	32.0
Level VI	32.0"

C. Section 1.1 of the Credit Agreement is hereby further amended by deleting, in the definition of Facility B Termination Date the date "November 16, 2001" and substituting in lieu thereof the date "November 15, 2002".

D. Section 2.4.1 of the Credit Agreement is hereby amended by adding "and the letter agreement dated October 8, 2001" after the reference to October 5, 2000.

1.2 Substitution of Schedule.

Schedule 3 to the Credit Agreement is hereby amended by deleting the page providing Facility B Commitments in said Schedule 3 in its entirety and substituting in place thereof Facility B Commitments in the form of Annex I to this Amendment.

Section 2. CONDITIONS TO EFFECTIVENESS

This Amendment shall become effective on November 16, 2001 upon receipt by the Administrative Agent of all of the following, in form and substance satisfactory to the Administrative Agent (the date of satisfaction of such condition being referred to herein as the "First Amendment Effective Date"):

A. Amendment. This Amendment executed by each party hereto;

B. Incumbency Certificate. A certificate of the Secretary or Assistant Secretary of the Borrower, certifying the names and true signatures of the officers of the Borrower authorized to execute, deliver and perform, as applicable, this Amendment, and all other Loan Documents to be delivered by it hereunder;

C. Payment of Fees. Evidence of payment by the Borrower of all accrued and unpaid fees, costs and expenses to the extent then due and payable on the First Amendment Effective Date, together with Attorney Costs of Bank of America to the extent invoiced prior to or on the First Amendment Effective Date; provided that, notwithstanding the above, such payment by the Borrower shall include all accrued and unpaid facility fees with respect to the Facility B Commitments through the First Amendment Effective Date;

D. Banks' Participation Fee. Payment by the Borrower to the Administrative Agent, for the account of each of the Facility B Banks as set forth on Schedule 3 to the Credit Agreement, the Facility B Commitments of which are attached as Annex I to this Amendment, in accordance with their respective pro rata shares, a participation fee in an amount set forth in a separate letter agreement between the Borrower, Bank of America and Banc of America Securities LLC.

E. Borrower Certificate. A certificate signed by an authorized officer of the Borrower, dated as of the First Amendment Effective Date, stating that:

(i) the representations and warranties contained in Section 3 hereof and in Article V of the Credit Agreement are true and correct on and as of such date, as though made on and as of such date, except for changes in the Schedules hereto reflecting transactions permitted by this Agreement;

(ii) no Default or Unmatured Default exists; and

(iii) since August 31, 2001, there has been no change in the business, properties, condition (financial or otherwise) or results of operations of the Borrower and its Subsidiaries which could have a Material Adverse Effect.

Section 3. BORROWER'S REPRESENTATIONS AND WARRANTIES

In order to induce the Facility B Banks to enter into this Amendment and to amend the Credit Agreement in the manner provided herein, the Borrower represents and warrants to each Facility B Bank that the following statements are true, correct and complete:

A. Authorization of Agreements. The execution and delivery of this Amendment and the performance of the Credit Agreement as amended by this Amendment (the "Amended Agreement") have been duly authorized by all necessary corporate action on the part of the Borrower.

B. Binding Obligation. This Amendment has been duly executed and delivered by the Borrower and this Amendment and the Amended Agreement are the legally valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

C. No Outstanding Facility B Advances. No Facility B Advances are outstanding as of the First Amendment Effective Date.

Section 4. MISCELLANEOUS

A. Reference to and Effect on the Credit Agreement and the Other Loan Documents.

(i) On and after the First Amendment Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to the "Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Amended Agreement.

(ii) Except as specifically amended by this Amendment, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(iii) The execution, delivery and performance of this Amendment shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of the Administrative Agent or any Bank under, the Credit Agreement or any of the other Loan Documents.

(iv) The Credit Agreement, as amended hereby, together with the other Loan Documents, embodies the entire agreement and understanding among the Borrower, the Banks and the Administrative Agent, and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof.

B. Fees and Expenses. The Borrower acknowledges that all costs, fees and expenses incurred by the Administrative Agent and its counsel with respect to this Amendment and the documents and transactions contemplated hereby shall be for the account of the Borrower.

C. Headings. Section and subsection headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

D. Applicable Law. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF OREGON BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

E. Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

NIKE, INC., as the Borrower

By: _____
Marcia A. Stilwell
Treasurer

One Bowerman Drive
Beaverton, OR 97005-6453
Attention: Marcia A. Stilwell,
Treasurer
Telephone: (503) 532-2100

Facsimile: (503) 532-2616

NIKE, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Six Months Ended November 30,	
	2001	2000
	(in millions)	
Net income	\$328.5	\$329.6
Income taxes	179.6	189.4
Cumulative effect of accounting change	5.0	-
	-----	-----
Income before income taxes and accounting change	513.1	519.0
	-----	-----
Add fixed charges		
Interest expense (A)	26.6	36.9
Interest component of leases (B)	25.8	24.7
	-----	-----
Total fixed charges	52.4	61.6
	-----	-----
Earnings before income taxes and fixed charges (C)	\$564.1	\$575.8
	=====	=====
Ratio of earnings to total fixed charges	10.8	9.3
	=====	=====

(A) Interest expense includes both expensed and capitalized. (B) Interest component of leases includes one-third of rental expense, which approximates the interest component of operating leases.

(C) Earnings before income taxes and fixed charges is exclusive of capitalized interest.

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