

NIKE INC

FORM 10-Q (Quarterly Report)

Filed 01/14/99 for the Period Ending 11/30/98

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 1/14/1999 For Period Ending 11/30/1998

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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended November 30, 1998 Commission file number - 1-10635

NIKE, Inc.

(Exact name of registrant as specified in its charter)

OREGON	93-0584541
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Bowerman Drive, Beaverton, Oregon	97005-6453
(Address of principal executive offices)	(Zip Code)

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

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

Yes X No .

Common Stock shares outstanding as of November 30, 1998 were:

Class A	101,317,408
Class B	181,258,964

	282,576,372
	=====

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

NIKE, Inc.

CONDENSED CONSOLIDATED BALANCE SHEET

Nov. 30,	May 31,
1998	1998

(in millions)	

ASSETS

Current assets:		
Cash and equivalents	\$ 254.6	\$ 108.6
Accounts receivable	1,511.2	1,674.4
Inventories (Note 4)	1,197.7	1,396.6
Deferred income taxes	175.0	156.8
Prepaid expenses	161.0	196.2
	<hr/>	<hr/>
Total current assets	3,299.5	3,532.6
Property, plant and equipment	1,967.6	1,819.6
Less accumulated depreciation	736.8	666.5
	<hr/>	<hr/>
	1,230.8	1,153.1
Identifiable intangible assets and goodwill	435.5	435.8
Deferred income taxes and other assets	284.1	275.9
	<hr/>	<hr/>
	\$5,249.9	\$5,397.4
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Current portion of long-term debt	\$ 1.3	\$ 1.6
Notes payable	431.6	480.2
Accounts payable	429.9	584.6
Accrued liabilities	678.5	608.5
Income taxes payable	31.4	28.9
	<hr/>	<hr/>
Total current liabilities	1,572.7	1,703.8
Long-term debt	389.1	379.4
Deferred income taxes and other liabilities	52.3	52.3
Commitments and contingencies (Note 6)	--	--
Redeemable Preferred Stock	0.3	0.3
Shareholders' equity:		
Common Stock at stated value:		
Class A convertible-101.3 and 101.5 shares outstanding	0.2	0.2
Class B-181.2 and 185.5 shares outstanding	2.6	2.7
Capital in excess of stated value	272.3	262.5
Accumulated other comprehensive income	(55.9)	(47.2)
Retained earnings	3,016.3	3,043.4
	<hr/>	<hr/>
	3,235.5	3,261.6
	<hr/>	<hr/>
	\$5,249.9	\$5,397.4
	=====	=====

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,	
	1998	1997	1998	1997
	<hr/>	<hr/>	<hr/>	<hr/>
	(in millions, except per share data)			
Revenues	\$1,913.0	\$2,255.3	\$4,417.9	\$5,021.4
Costs and expenses:				
Cost of sales	1,229.6	1,409.5	2,792.3	3,075.0
Selling and administrative	531.9	593.1	1,184.5	1,252.0
Interest	10.1	17.1	24.3	34.0
Other expense	27.6	6.3	32.1	19.5
	<hr/>	<hr/>	<hr/>	<hr/>

	1,799.2	2,026.0	4,033.2	4,380.5
Income before income taxes	113.8	229.3	384.7	640.9
Income taxes	44.9	88.2	151.9	246.7
Net income	\$ 68.9	\$ 141.1	\$ 232.8	\$ 394.2
Basic earnings per common share (Note 3)	\$ 0.24	\$ 0.49	\$ 0.82	\$ 1.36
Diluted earnings per common share (Note 3)	\$ 0.24	\$ 0.48	\$ 0.80	\$ 1.33
Dividends declared per common share	\$ 0.12	\$ 0.12	\$ 0.24	\$ 0.22

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,	
	1998	1997
	(in millions)	
Cash provided (used) by operations:		
Net income	\$232.8	\$394.2
Income charges (credits) not affecting cash:		
Depreciation	102.0	88.1
Deferred income taxes	(18.4)	(8.8)
Amortization and other	16.8	15.2
Changes in other working capital components	337.9	(199.6)
Cash provided by operations	671.1	289.1
Cash provided (used) by investing activities:		
Additions to property, plant and equipment	(173.6)	(242.0)
Disposals of property, plant and equipment	11.7	5.4
Increase in other assets	(26.7)	(50.8)
Decrease in other liabilities	(6.4)	(10.7)
Cash used by investing activities	(195.0)	(298.1)
Cash provided (used) by financing activities:		
Additions to long-term debt	-	101.3
Reductions in long-term debt including current portion	(.9)	(1.1)
Decrease in notes payable	(48.6)	(311.5)
Proceeds from exercise of options	9.3	17.8
Repurchase of stock	(194.0)	(33.2)
Dividends - common and preferred	(68.6)	(58.0)
Cash used by financing activities	(302.8)	(284.7)
Effect of exchange rate changes on cash	(27.3)	(12.0)
Net increase (decrease) in cash and equivalents	146.0	(305.7)
Cash and equivalents, May 31, 1998 and 1997	108.6	445.4
Cash and equivalents, November 30, 1998 and 1997	\$254.6	\$139.7

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 period(s). The interim financial information and notes thereto should be read in conjunction with the Company's latest annual report to shareholders. The results of operations for the six (6) months ended November 30, 1998 are not necessarily indicative of results to be expected for the entire year.

Year 2000 costs:

Costs associated with the Company's efforts around Year 2000 issues are expensed as incurred, unless they relate to the purchase of hardware and software, and software development, in which case they are capitalized. Capitalized software and hardware costs are depreciated from three to five years.

NOTE 2 - Comprehensive Income:

In the first quarter of fiscal 1999, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income". This statement establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. Comprehensive income is generally defined as all changes in shareholders' equity except those resulting from investments by and distributions to shareholders. Comprehensive income, net of taxes, is as follows:

	Three Months Ended November 30,		Six Months Ended November 30,	
	1998	1997	1998	1997
	(in millions)			
Net Income	\$ 68.9	\$141.1	\$232.8	\$394.2
Change in Cumulative Translation Adjustment	(3.6)	(18.2)	(8.7)	(26.9)
Total Comprehensive Income	\$ 65.3	\$122.9	224.1	367.3

NOTE 3 - Net income per common share:

SFAS 128, "Earnings per Share," replaces primary and fully diluted earnings per share with basic and diluted earnings per share. Under the new requirements, the dilutive effect of stock options is excluded from the calculation of basic earnings per share. Diluted earnings per share is calculated similarly to fully diluted earnings per share as required under APB 15. SFAS 128 became effective for the Company's fiscal 1998 financial statements. All prior period earnings per share data presented have been restated to conform to the provisions of this statement. The following represents a reconciliation from basic earnings per share to diluted earnings per share:

	Three Months Ended November 30,		Six Months Ended November 30,	
	1998	1997	1998	1997
	(in millions, except per share data)			
Determination of shares:				
Average common shares outstanding	283.0	290.3	284.9	290.1
Assumed conversion of				

stock options	4.7	6.4	4.9	7.0
	-----	-----	-----	-----
Diluted average common shares outstanding	287.7	296.7	289.8	297.1
	=====	=====	=====	=====
Basic earnings per common share	\$ 0.24	\$ 0.49	\$ 0.82	\$ 1.36
	=====	=====	=====	=====
Diluted earnings per common share	\$ 0.24	\$ 0.48	\$ 0.80	\$ 1.33
	=====	=====	=====	=====

NOTE 4 - Inventories:

Inventories by major classification are as follows:

	Nov. 30, 1998	May 31, 1998
	-----	-----
	(in millions)	
Finished goods	\$1,127.5	\$1,303.8
Work-in-progress	38.7	34.7
Raw materials	31.5	58.1
	-----	-----
	\$1,197.7	\$1,396.6
	=====	=====

NOTE 5 - Restructuring charges:

1998 Charge

During the fourth quarter of fiscal 1998 the Company recorded a restructuring charge of \$129.9 million as a result of certain of the Company's actions to better align its cost structure with expected revenue growth rates. The restructuring activities (shown below in tabular format) primarily related to: 1) the elimination of job responsibilities company-wide, resulting in costs to sever employees and related asset write-downs and lease abandonments related to the affected employees; 2) the relocation of, and elimination of, certain job responsibilities of the Asia Pacific headquarters in Hong Kong, resulting in reduction in workforce, lease abandonments and other costs of downsizing the Hong Kong headquarters; 3) the downsizing of the Company's Japan distribution center, resulting in the write-down of assets no longer in use; 4) the cancellation of certain non-strategic long-term endorsement contracts, resulting in one-time termination fees; and 5) the decision to exit certain manufacturing operations of the Bauer subsidiary, resulting in the reduction in manufacturing related jobs, the write-down of assets no longer in use and the estimated loss on divestiture of certain manufacturing plants.

No increases to the 1998 restructuring charge were made during the first six months of fiscal 1999. A total of \$6.7 million of the restructuring accrual was not required due to changes in estimates related to severance payments, asset valuation and lease commitments. This amount is included in "other expense" on the income statement.

1999 Charge

In the second quarter of fiscal 1999, an additional \$18.7 million restructuring charge was recorded due to further cost realignment programs in the Company's Asia Pacific region. The charge (detailed below in tabular format) was for costs of severing employees, including severance packages, lease abandonments and the write down of assets no longer in use. The charge is included in other expense on the income statement.

As of November 30, 1998, there were a total of 1,208 employees terminated in the original plan announced in the fourth quarter of fiscal 1998, with 1,168 having left the Company as of that date. An additional 237 employees were terminated in the plan announced during the current quarter, with 138 having left the Company as of November 30, 1998.

Detail of the 1998 restructuring charge is as follows:

(in millions)						
	4th QTR FY98					
DESCRIPTION	CASH/NON- CASH	RESTRUCTURING CHARGE	ACTIVITY	RESERVE BALANCE AT 5/31/98	ACTIVITY	RESERVE BALANCE AT 11/30/98
ELIMINATION OF JOB RESPONSIBILITIES COMPANY-						

WIDE		\$(49.8)	\$18.8	\$(31.0)	\$24.1	\$(6.9)
Severance packages	cash	(29.1)	9.0	(20.1)	17.7	(2.4)
Lease cancellations & commitments	cash	(10.8)	0.2	(10.6)	6.1	(4.5)
Write-down of assets	non-cash	(9.6)	9.6	-	-	-
Other	cash	(0.3)	-	(0.3)	0.3	-
<hr/>						
DOWN-sizing THE ASIA PACIFIC HEADQUARTERS IN HONG KONG		\$(13.1)	5.4	\$(7.7)	\$3.3	\$(4.4)
Severance packages	cash	(4.6)	2.3	(2.3)	1.0	(1.3)
Lease cancellations & commitments	cash	(5.5)	0.1	(5.4)	2.3	(3.1)
Write-down of assets	non-cash	(3.0)	3.0	-	-	-
<hr/>						
DOWN-sizing THE JAPAN DISTRIBUTION CENTER		\$(31.6)	\$25.4	\$(6.2)	\$4.7	\$(1.5)
Write-off of assets	non-cash	(12.5)	12.5	-	-	-
Software development costs	cash/non-cash	(19.1)	12.9	(6.2)	4.7	(1.5)
<hr/>						
CANCELLATION OF ENDORSEMENT CONTRACTS	cash	\$(5.6)	\$0.6	\$(5.0)	\$4.1	\$(0.9)
<hr/>						
EXITING CERTAIN MANUFACTURING OPERATIONS AT BAUER		\$(22.7)	\$19.9	\$(2.8)	\$0.2	\$(2.6)
Write-down of assets	non-cash	(14.7)	14.7	-	-	-
Divestiture of manufacturing facilities	non-cash	(5.2)	5.2	-	-	-
Lease cancellations & commitments	cash	(1.6)	-	(1.6)	0.1	(1.5)
Severance packages	cash	(1.2)	-	(1.2)	0.1	(1.1)
<hr/>						
OTHER		\$(7.1)	2.4	\$(4.7)	\$2.7	\$(2.0)
Cash	cash	(0.6)	-	(0.6)	0.1	(0.5)
Non-cash	non-cash	(6.5)	2.4	(4.1)	2.6	(1.5)
<hr/>						
Effect of foreign currency translation		-	\$1.8	\$1.8	\$(0.9)	\$0.9
<hr/>						
TOTAL		\$(129.9)	\$74.3	\$(55.6)	\$38.2	\$(17.4)
<hr/>						

Detail of the 1999 restructuring charge is as follows:

(in millions)

DESCRIPTION	CASH/NON-CASH	2nd QTR FY99 RESTRUCTURING CHARGE	ACTIVITY	RESERVE BALANCE AT 11/30/98
ELIMINATION OF JOB RESPONSIBILITIES		\$(18.7)	\$ 5.9	\$(12.8)
Severance packages	cash	(8.7)	0.6	(8.1)
Lease cancellations & commitments	cash	(2.3)	-	(2.3)
Write-down of assets	non-cash	(5.5)	5.0	(0.5)
Other	cash/non-cash	(2.2)	0.3	(1.9)

<Table/>

NOTE 6 - Commitments and contingencies:

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

Operating Results

Net income for the second quarter of fiscal year 1999 was \$68.9 million, a 51% decrease compared to the \$141.1 million in the prior year's second quarter. Year-to-date net income decreased 41% to \$232.8 million. Results for both the quarter and year-to-date were driven by lower revenues, lower gross margin percentages and higher selling and administrative expenses as a percentage of revenues. In addition, the quarter also includes an \$18.7 million restructuring charge, discussed further below.

Consolidated revenues decreased 15%, or \$342.3 million for the quarter, and 12%, or \$603.5 million year-to-date. U.S. brand revenues declined \$175.2 million, or 14% for the quarter, with a 15% decrease in footwear and a 13% decrease in apparel revenues. Year-to-date U.S. revenues decreased 12%, with a 14% drop in footwear and a 9% decrease in apparel. Sales in the U.S. are being affected by a difficult selling environment at retail, particularly in athletic apparel. Three of the largest apparel categories, Men's Athletic, Team Sports, and Accessories decreased 30%, 17% and 34%, respectively, for the quarter. In addition, the uncertainty surrounding the National Basketball Association's season has slowed the momentum beginning to be seen in the footwear basketball category. U.S. Basketball footwear revenue was down 24% in the quarter (31% year-to-date). However, Brand Jordan was up 23% in the quarter (45% year-to-date). The decline in overall footwear revenues for the quarter was a result of a 17% decrease in pairs sold and a 1% increase in average selling price. The major categories of running and crosstraining increased 9% and decreased 40%, respectively, for the quarter. Year-to-date, running decreased 3% while crosstraining was down 34%.

Total revenues in Europe were up 9%, or \$37.3 million for the quarter. For the year, revenues increased 11%. Had the dollar remained constant, revenues would have increased 1% and 6% for the quarter and year-to-date, respectively. The revenue increase was driven by growth in apparel, as footwear revenues were down. Of the major countries within the region, the United Kingdom and France, increased 9%, in constant dollars, for the quarter, while Spain and Italy, decreased 7% and 5%, respectively.

The Asia Pacific region remains affected by the general economic crisis in the area. Revenues decreased 46% for the quarter and 47% year-to-date. Had the dollar remained constant, revenues would have decreased 38% for both the quarter and year-to-date. Footwear and apparel revenues were down 56% and 33%, respectively, for the quarter. Revenues in Japan declined 53% (49% on a constant dollar basis) for the quarter and 53% for the year (47% on a constant dollar basis).

The Americas region, which includes Canada, Mexico, South America and South Africa, decreased 16% for the quarter and 13% year-to-date, compared to last year. Had the dollar remained constant, revenues would have decreased 9% and 7% for the quarter and year-to-date, respectively, primarily due to the strengthening of the dollar in Canada.

Other Brands, which includes Bauer NIKE Hockey, Cole Haan, Sports Specialties, and NIKE IHM (which includes what was formally Tetra Plastics), decreased 12% for the quarter and less than 1% year-to-date.

The breakdown of revenues follows:

	Three Months Ended November 30,			Six Months Ended November 30,		
	1998	1997	% change	1998	1997	% change
(in millions)						
U.S.A. REGION						
FOOTWEAR	\$665.9	\$787.6	-15%	\$1,583.3	\$1,843.7	-14%
APPAREL	365.0	418.3	-13%	770.2	843.5	-9%
EQUIPMENT AND OTHER	17.5	17.7	-1%	42.8	36.7	17%
TOTAL U.S.A.	1,048.4	1,223.6	-14%	2,396.3	2,723.9	-12%
EUROPE REGION						
FOOTWEAR	199.3	245.6	-19%	553.4	629.6	-12%
APPAREL	217.7	143.0	52%	528.5	361.3	46%
EQUIPMENT AND OTHER	16.8	7.9	113%	32.7	15.4	112%
TOTAL EUROPE	433.8	396.5	9%	1,114.6	1,006.3	11%

ASIA PACIFIC REGION

FOOTWEAR	90.7	208.4	-56%	197.1	472.5	-58%
APPAREL	101.4	151.7	-33%	180.7	254.7	-29%
EQUIPMENT AND OTHER	4.8	2.6	85%	10.5	3.0	250%
TOTAL ASIA PACIFIC	<u>196.9</u>	<u>362.7</u>	-46%	<u>388.3</u>	<u>730.2</u>	-47%

AMERICAS REGION

FOOTWEAR	73.7	91.2	-19%	176.3	212.7	-17%
APPAREL	42.5	50.7	-16%	89.5	96.3	-7%
EQUIPMENT AND OTHER	3.5	1.3	169%	6.5	4.6	41%
TOTAL AMERICAS	<u>119.7</u>	<u>143.2</u>	-16%	<u>272.3</u>	<u>313.6</u>	-13%

TOTAL NIKE BRAND	<u>1,798.8</u>	<u>2,126.0</u>	-15%	<u>4,171.5</u>	<u>4,774.0</u>	-13%
OTHER & OTHER BRANDS	114.2	129.3	-12%	246.4	247.4	-0%
TOTAL REVENUES	<u>\$1,913.0</u> =====	<u>\$2,255.3</u> =====	-15%	<u>\$4,417.9</u> =====	<u>\$5,021.4</u> =====	-12%

The Company's gross margin percentage for the second quarter was 35.7%, down from 37.5% in the prior year. On a year-to-date basis, margins fell 200 basis points to 36.8%. Margins continue to be adversely affected by continued efforts to liquidate the Company's closeout inventories around the world, particularly apparel. Additionally, increased levels of research and development spending on reduced levels of comparative revenues, further reduced margins.

Selling and administrative expenses have decreased 10% from last year's second quarter and 5% year-to-date, however are up as a percentage of revenues, to 27.8% for the quarter (compared to 26.3%) and 26.8% for the year (compared to 24.9%). Sports marketing and advertising reductions accounted for more than 50% of the reduction for the quarter, and wage related expenses fell 4%. Spending levels continue to reflect management's efforts to control expenditures.

Interest expense has decreased for both the quarter and year-to-date, compared to last year, as less short term debt has been needed to finance lower levels of inventories and accounts receivable. Other expense has increased over the prior year, mainly due to the \$18.7 million restructuring charge taken in the second quarter (discussed further below). Offsetting this charge was a \$6.7 million reversal of fiscal 1998's restructuring charge and reduced foreign currency transaction losses.

Worldwide futures and advance orders for NIKE brand athletic footwear and apparel scheduled for delivery from December 1998 through April 1999 totaled \$3.8 billion, 10% lower than such orders for the same period last year. These orders and the percentage change in these orders are not necessarily indicative of the change in revenues which the Company will experience for subsequent periods. This is due to potential shifts in the mix of advance orders in relation to at once orders and varying cancellation rates. Finally exchange rate fluctuations will also cause differences in the comparisons.

During the fourth quarter of fiscal 1998, the Company recorded a restructuring charge of \$129.9 million as a result of certain of the Company's actions to better align its overall cost structure and organization with planned revenue levels. The restructuring activities (shown below in tabular format) primarily related to: 1) the elimination of job responsibilities company-wide, resulting in costs to sever employees and related asset write-downs and lease abandonments related to the affected employees; 2) the relocation of, and elimination of, certain job responsibilities of the Asia Pacific headquarters in Hong Kong, resulting in reduction in workforce, lease abandonments and other costs of downsizing the Hong Kong headquarters; 3) the downsizing of the Company's Japan distribution center, resulting in the write-down of assets no longer in use; 4) the cancellation of certain non-strategic long-term endorsement contracts, resulting in one-time termination fees; and 5) the decision to exit certain manufacturing operations of the Bauer subsidiary, resulting in the reduction in manufacturing related jobs, the write-down of assets no longer in use and the estimated loss on divestiture of certain manufacturing plants.

No increases to the 1998 restructuring charge were made during the first six months of fiscal 1999. A total of \$6.7 million of the restructuring accrual was not required due to changes in estimates related to severance payments, asset valuations and lease commitments. This amount is included in "other expense" on the income statement.

In the second quarter of fiscal 1999, an additional \$18.7 million restructuring charge was recorded due to further cost realignment programs in the Company's Asia Pacific region. The charge (detailed below in tabular format) was for costs of severing employees, including severance packages, lease abandonments and the write down of assets no longer in use. The charge is included in "other expense" on the income statement.

As of November 30, 1998, there were a total of 1,208 employees terminated in the original plan announced in the fourth quarter of fiscal 1998, with 1,168 having left the Company as of that date. An additional 237 employees were terminated in the plan announced during the current quarter, with 138 having left the Company as of November 30, 1998.

Detail of the 1998 restructuring charge is as follows:

(in millions)

DESCRIPTION	CASH/NON-CASH	4th QTR FY98 RESTRUCTURING CHARGE	ACTIVITY	RESERVE BALANCE AT 5/31/98	ACTIVITY	RESERVE BALANCE AT 11/30/98
ELIMINATION OF JOB RESPONSIBILITIES COMPANY-WIDE						
		\$ (49.8)	\$18.8	\$ (31.0)	\$24.1	\$ (6.9)
Severance packages	cash	(29.1)	9.0	(20.1)	17.7	(2.4)
Lease cancellations & commitments	cash	(10.8)	0.2	(10.6)	6.1	(4.5)
Write-down of assets	non-cash	(9.6)	9.6	-	-	-
Other	cash	(0.3)	-	(0.3)	0.3	-
DOWNSIZING THE ASIA PACIFIC HEADQUARTERS IN HONG KONG						
		\$ (13.1)	5.4	\$ (7.7)	\$3.3	\$ (4.4)
Severance packages	cash	(4.6)	2.3	(2.3)	1.0	(1.3)
Lease cancellations & commitments	cash	(5.5)	0.1	(5.4)	2.3	(3.1)
Write-down of assets	non-cash	(3.0)	3.0	-	-	-
DOWNSIZING THE JAPAN DISTRIBUTION CENTER						
		\$ (31.6)	\$25.4	\$ (6.2)	\$4.7	\$ (1.5)
Write-off of assets	non-cash	(12.5)	12.5	-	-	-
Software development costs	cash/non cash	(19.1)	12.9	(6.2)	4.7	(1.5)
CANCELLATION OF ENDORSEMENT CONTRACTS						
	cash	\$ (5.6)	\$0.6	\$ (5.0)	\$4.1	\$ (0.9)
EXITING CERTAIN MANUFACTURING OPERATIONS AT BAUER						
		\$ (22.7)	\$19.9	\$ (2.8)	\$0.2	\$ (2.6)
Write-down of assets	non-cash	(14.7)	14.7	-	-	-
Divestiture of manufacturing facilities	non-cash	(5.2)	5.2	-	-	-
Lease cancellations & commitments	cash	(1.6)	-	(1.6)	0.1	(1.5)
Severance packages	cash	(1.2)	-	(1.2)	0.1	(1.1)
OTHER						
		\$ (7.1)	2.4	\$ (4.7)	\$2.7	\$ (2.0)
Cash	cash	(0.6)	-	(0.6)	0.1	(0.5)
Non-cash	non-cash	(6.5)	2.4	(4.1)	2.6	(1.5)
Effect of foreign currency translation						
		-	\$1.8	\$1.8	\$ (0.9)	\$0.9
TOTAL						
		\$ (129.9)	\$74.3	\$ (55.6)	\$38.2	\$ (17.4)

Detail of the 1999 restructuring charge is as follows:

(in millions)

DESCRIPTION	CASH/NON-CASH	2nd QTR FY99 RESTRUCTURING CHARGE	ACTIVITY	RESERVE BALANCE AT
-------------	---------------	---	----------	-----------------------

ELIMINATION OF JOB RESPONSIBILITIES				
		\$ (18.7)	\$ 5.9	\$ (12.8)
Severance packages	cash	(8.7)	0.6	(8.1)
Lease cancellations & commitments	cash	(2.3)	-	(2.3)
Write-down of assets	non-cash	(5.5)	5.0	(0.5)
Other	cash/non-cash	(2.2)	0.3	(1.9)

<Table/>

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133). FAS 133 is effective for all fiscal quarters of all fiscal years beginning after June 15, 1999 (June 1, 2000 for the Company). This statement will require the Company to recognize all derivatives on the balance sheet at fair value. Changes in the fair value of derivatives will be recorded in current earnings or other comprehensive income, depending on the intended use of the derivative and the resulting designation. The ineffective portion of all hedges will be recognized in current-period earnings. Management of the Company has not yet determined the impact that the adoption of FAS 133 will have on the Company's results from operations or its financial position.

Year 2000 issue

The year 2000 issue is the result of computer programs using two digits rather than four to define the applicable year. Such software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failures or miscalculations leading to disruptions in the Company's activities and operations (the "year 2000" or "Y2K" issue). If the Company or its significant suppliers or customers fail to make necessary modifications, conversions, and contingency plans on a timely basis, the year 2000 issue could have a material adverse effect on NIKE's business, operations, cash flow, and financial condition. However, the effect cannot be quantified at this time because NIKE cannot accurately estimate the magnitude, duration, or ultimate impact of noncompliance by third parties that have no direct relationship to NIKE. The Company believes that its competitors face a similar risk. Although not quantifiable, the disclosure below is intended to summarize NIKE's actions to minimize that risk.

In May 1997, the Company established a corporate-wide project team to identify non-compliant software and complete the corrections or plans required to mitigate the year 2000 issue. NIKE has identified three categories of software and systems that require attention:

- (1) information technology ("IT") systems, such as mainframes, PCs, networks, and production control system,
- (2) non-IT systems, such as equipment, machinery, climate control, and security systems, which may contain microcontrollers with embedded technology, and
- (3) partner (supplier and customer) IT and non-IT systems.

The Company intends to fix or replace non-compliant IT and non-IT software and systems through the following project phases:

- (1) inventory systems,
- (2) assess risks and impact,
- (3) prioritize projects,
- (4) fix, replace, or develop contingency plans for non-compliant systems,
- (5) test and on-going quality control, and
- (6) audit results.

Currently, our remediation projects are at different phases of completion. Remediation and testing activities are underway or have been completed on all of the Company's critical business applications. NIKE engages the services of independent consultants to analyze and develop testing standards, quality assurance, and contingency plans. NIKE's internal auditing department audits

the process and remediation testing, and NIKE has consulted with external independent consultants to evaluate and audit those results.

Recently, NIKE's Y2K project team completed a mid-project review of all projects not yet completed. The result was the consolidation of several projects, the elimination of redundant projects, and the identification of several additional projects that need to be addressed. To date, NIKE has identified 148 major internal I.T. remediation projects worldwide. That number may increase slightly if anticipated "gaps" in remediation are identified later. As of December 31, 1998, 77 of the projects have been completed (including testing). Of the remaining projects, approximately 50 percent are in final test and implementation phases. The Company has already completed remediation on most of its critical business information systems.

The Company is also assessing the compliance of its major customers and suppliers. NIKE has relationships with certain significant suppliers and customers in most of the locations in which it operates. The level of preparedness of significant suppliers and customers can vary greatly from country to country. These relationships are material to many local operations and, in the aggregate, are material to the Company. NIKE relies on suppliers to timely deliver a broad range of goods and services worldwide, including raw materials, footwear, apparel, accessories, equipment, advertising, transportation services, banking services, telecommunications and utilities. Moreover, NIKE's suppliers rely on countless other suppliers, over which NIKE may have little or no influence regarding year 2000 compliance. NIKE believes that suppliers and customers presents the area of greatest risk to the Company in part because of the Company's limited ability to influence actions of third parties, and in part because of the Company's inability to estimate the level and impact of noncompliance of third parties throughout the extended supply chain.

NIKE is sending surveys to and conducting formal communications with its significant suppliers and customers to determine the extent to which it may be affected by those third parties' Y2K preparedness plans. Some of NIKE's significant suppliers and customers have not responded to inquiries from NIKE, have refused to respond for liability reasons, or have not responded with sufficient detail for NIKE to determine (a) whether the supplier or customer is or timely will be Y2K compliant, or (b) if any noncompliance will have a material adverse effect on NIKE's business or financial condition. In the absence of adequate responses and disclosures, NIKE is attempting to make independent assessments of significant vendors and customers. However, a compliance failure by a major supplier or customer, or one of their suppliers or customers, could have a material adverse effect on NIKE's business or financial condition. The size of that effect cannot be quantified at this time because of variables such as the type and importance of the non-responding suppliers and customers, the unknown level and duration of noncompliance of suppliers and customers (and their suppliers and customers), the possible effect on NIKE's operations, and NIKE's ability to respond. Thus, there can be no assurance that there will not be a material adverse effect on the Company if third party governmental or business entities do not convert or replace their systems in a timely manner and in a way that is compatible with the Company's systems.

As a result, in some cases NIKE will develop contingency plans that assume some estimated level of noncompliance by, or business disruption to, suppliers and customers. The Company is currently developing those contingency plans, with the goal of completing them by mid-1999 for significant suppliers and customers determined to be at high risk of noncompliance or business disruption. The contingency plans are being developed on a case-by-case basis, and may include booking orders and producing products before anticipated business disruptions, manual intervention, or finding alternative suppliers. Even so, judgments regarding contingency plans - such as how to develop them and to what extent - are themselves subject to many variables and uncertainties. There can be no assurance that NIKE will correctly anticipate the level, impact or duration of noncompliance by suppliers and customers that provide inadequate information. As a result, there is no certainty that its contingency plans will be sufficient to mitigate the impact of noncompliance by suppliers and customers, and some material adverse effect to NIKE may result from one or more third parties regardless of defensive contingency plans.

Costs related to the year 2000 issue are funded through operating cash flows. Through the second quarter of fiscal 1999, the Company expended approximately \$31 million in remediation efforts, including the cost of new software, modifying the applicable code of existing software, and internal costs. Approximately \$7 million of these expenditures was for new hardware and software, and has been capitalized. The remainder has been expensed as incurred.

The Company currently estimates that total costs related to the year 2000 issue will be composed of approximately \$45 to \$50 million in external expenses, \$20 to \$25 million in internal costs, and \$40 to \$45 million in replacement projects that are not Y2K-related but have some Y2K remediation benefits.

Approximately \$10 million of these expenses will be capitalized. (Previously the Company did not report internal costs or unrelated replacement projects.) The Company presently believes that the total cost of achieving year 2000 compliant systems is not expected to be material to NIKE's financial condition, liquidity, or results of operations.

Estimates of time, cost, and risk estimates are based on currently available information. Developments that could affect estimates include, but are not limited to, the availability and cost of trained personnel; the ability to locate and correct all relevant computer code and systems; cooperation and remediation success of the Company's suppliers and customers (and their suppliers and customers); and the ability to correctly anticipate risks and implement suitable contingency plans in the event of system failures at NIKE or its suppliers and customers (and their suppliers and customers).

The above section, even if incorporated by reference into other documents or disclosures, is a Year 2000 Readiness Disclosure as defined under the Year 2000 Information and Readiness Disclosure Act of 1998.

Liquidity and Capital Resources

The Company's financial position remained strong at November 30, 1998. Compared to May 31, 1998 shareholder's equity remained consistent at \$3.2 billion. Working capital decreased 6% to \$1.7 billion and the current ratio was 2.10:1 at November 30, 1998 compared to 2.07:1 at May 31, 1998.

Cash provided by operations increased \$382 million compared to the first six months of last year. Working capital changes were the main reason for the increase, primarily the decrease in accounts receivable, due to lower revenue, and the decrease in inventory levels. Consolidated inventory levels at November 30, 1998 were 17% lower than last November and 14% lower than May 31, 1998. Closeout levels in footwear inventory continued to fall to more normal levels in all regions. In apparel, the Company was able to reduce closeout levels in every region except Europe. The advancement of the Company's retail strategy around the world has helped sell through of closeout product. During the second quarter the Company added 13 new outlet locations: 6 in the U.S., 4 in Europe and one each in Japan, Australia and Canada. The total outlet store count is 95 globally, with 64 of those in the U.S.

Additions to property, plant and equipment for the first half of fiscal 1999 were \$173.6 million, mainly due to the expansion of the U.S. headquarters, retail locations and customer service distribution facilities. Outside of the U.S., the majority of the expenditures were related to the Company's customer service distribution center in Europe and retail expansion in all regions. In the previous year, expenditures were higher due to increased NIKETOWN expenditures in the U.S. and more activity surrounding the European customer service facility.

Management believes that significant funds generated by operations, together with access to sufficient sources of funds, will adequately meet its anticipated operating, global infrastructure expansion and capital needs. The Company maintains significant short and long-term lines of credit with banks, which, along with cash on hand, provide adequate operating liquidity. Liquidity is also provided by the Company's commercial paper program, under which there was \$167.8 million outstanding at November 30, 1998.

Dividends per share of common stock for the second quarter of fiscal 1999 remained at \$.12 per share, the same level as the previous year.

As of November 30, 1998, the Company purchased a total of 6.4 million shares of NIKE's Class B common stock for \$252 million in the open market since the \$1 billion share repurchase program was approved in December 1997. During the first half of fiscal 1999, the Company purchased a total of 5.2 million shares for \$198 million. Funding has, and is expected to continue to, come from operating cash flow in conjunction with short-term borrowings. The timing and the amount of shares purchased will be dictated by working capital needs and stock market conditions.

Special Note Regarding Forward-Looking Statements and Reports Analyst Reports

Certain written and oral statements 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 ("the Act"). 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 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 (including the current Asian economic problems); 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; the size, timing and mix of purchases of NIKE's products; 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; 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; disruptions due to Year 2000 noncompliance by NIKE, its suppliers or customers (or their suppliers or customers); 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, 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 impact 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, 1998.

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 Form of 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 September 15, 1995 among NIKE, Inc., Bank of America National Trust & Savings Association, individually and as Agent, and the other banks party thereto (incorporated by reference from the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1995).
 - 10.2 Form of non-employee director Stock Option Agreement (incorporated by reference from Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1993).*
 - 10.3 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).
 - 10.4 NIKE, Inc. Restated Employee Incentive Compensation Plan (incorporated by reference from Registration Statement No. 33-29262 on Form S-8 filed by the Company on June 16, 1989).*
 - 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 22, 1997).*
 - 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, 1995).*
 - 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).*
 - 12.1 Computation of Ratio of Earnings to Charges.
 - 27 Financial Data Schedule.
- * Management contract or compensatory plan or arrangement.

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/Robert E. Harold

Robert E. Harold
Interim Chief Financial Officer

DATED: January 14, 1999

NIKE, INC.
COMPUTATION OF RATIO OF EARNINGS TO CHARGES

	Six Months Ended November 30,	
	1998	1997
	(in millions)	
Net income	\$232.8	\$394.2
Income taxes	151.9	246.7
	<hr/>	<hr/>
Income before income taxes	384.7	640.9
	<hr/>	<hr/>
Add fixed charges		
Interest expense (A)	27.5	34.9
Interest component of leases (B)	20.9	21.9
	<hr/>	<hr/>
Total fixed charges	48.4	56.8
	<hr/>	<hr/>
Earnings before income taxes and fixed charges (C)	429.9	\$696.9
	=====	=====
Ratio of earnings to total fixed charges	8.88	12.27
	=====	=====

(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.

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE NOVEMBER 30, 1998 FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	MAY 31 1999
PERIOD END	NOV 30 1998
CASH	255
SECURITIES	0
RECEIVABLES	1,511
ALLOWANCES	73
INVENTORY	1,198
CURRENT ASSETS	3,300
PP&E	1,968
DEPRECIATION	737
TOTAL ASSETS	5,250
CURRENT LIABILITIES	1,573
BONDS	389
COMMON	3
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	3,232
TOTAL LIABILITY AND EQUITY	5,250
SALES	4,418
TOTAL REVENUES	4,418
CGS	2,792
TOTAL COSTS	2,792
OTHER EXPENSES	1,210
LOSS PROVISION	7
INTEREST EXPENSE	24
INCOME PRETAX	385
INCOME TAX	152
INCOME CONTINUING	233
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	233
EPS PRIMARY	.82
EPS DILUTED	.80

End of Filing

Powered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.