

NIKE INC

FORM 10-Q (Quarterly Report)

Filed 10/04/06 for the Period Ending 10/03/06

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

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended August 31, 2006
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 .

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

Large accelerated filer X Accelerated filer Non-accelerated filer

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

Common Stock shares outstanding as of August 31, 2006 were:

Class A	63,906,694
Class B	186,799,591

PART 1 - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

NIKE, Inc.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	August 31, 2006	May 31, 2006
	-----	-----
	(in millions)	
ASSETS		
Current assets:		
Cash and equivalents	\$1,030.7	\$ 954.2
Short-term investments	693.9	1,348.8
Accounts receivable, net	2,569.1	2,395.9
Inventories (Note 2)	2,134.3	2,076.7
Deferred income taxes	188.8	203.3
Prepaid expenses and other current assets	382.3	380.1
	-----	-----
Total current assets	6,999.1	7,359.0
Property, plant and equipment	3,451.1	3,408.3
Less accumulated depreciation	1,802.4	1,750.6
	-----	-----
Property, plant and equipment, net	1,648.7	1,657.7
Identifiable intangible assets, net (Note 3)	407.5	405.5
Goodwill (Note 3)	130.8	130.8
Deferred income taxes and other assets	384.4	316.6
	-----	-----
Total assets	\$9,570.5	\$9,869.6
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 30.5	\$ 255.3
Notes payable	61.3	43.4
Accounts payable	867.7	952.2
Accrued liabilities (Note 4)	1,297.7	1,286.9
Income taxes payable	152.5	85.5
	-----	-----
Total current liabilities	2,409.7	2,623.3
Long-term debt	380.4	410.7
Deferred income taxes and other liabilities	559.2	550.1
Commitments and contingencies (Note 9)	--	--
Redeemable preferred stock	0.3	0.3
Shareholders' equity:		
Common stock at stated value:		
Class A convertible-63.9 and		
63.9 million shares outstanding	0.1	0.1
Class B-186.8 and 192.1 million shares		
outstanding	2.7	2.7
Capital in excess of stated value	1,538.0	1,447.3
Accumulated other comprehensive income (Note 5)	137.0	121.7
Retained earnings	4,543.1	4,713.4
	-----	-----
Total shareholders' equity	6,220.9	6,285.2
	-----	-----
Total liabilities and shareholders' equity	\$9,570.5	\$9,869.6
	=====	=====

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

NIKE, Inc.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended August 31,	
	2006	2005
	(in millions, except per share data)	
Revenues	\$4,194.1	\$3,862.0
Cost of sales	2,344.9	2,113.9
Gross margin	1,849.2	1,748.1
Selling and administrative expense	1,289.7	1,104.4
Interest income, net	(13.1)	(6.4)
Other income, net	(3.2)	(9.9)
Income before income taxes	575.8	660.0
Income taxes	198.6	227.7
Net income	\$ 377.2	\$ 432.3
Basic earnings per common share (Note 7)	\$ 1.49	\$ 1.66
Diluted earnings per common share (Note 7)	\$ 1.47	\$ 1.61
Dividends declared per common share	\$ 0.31	\$ 0.25

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

NIKE, Inc.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended August 31,	
	2006	2005
	(in millions)	
Cash provided (used) by operations:		
Net income	\$ 377.2	\$ 432.3
Income charges (credits) not affecting cash:		
Depreciation	66.9	68.9
Deferred income taxes	(1.9)	(11.2)
Stock-based compensation (Note 6)	69.7	--
Amortization and other	7.1	0.7
Tax benefit from exercise of stock options	--	15.9
Changes in certain working capital components and other assets and liabilities:		
Increase in accounts receivable	(164.3)	(132.8)
Increase in inventories	(73.9)	(29.1)
Increase in prepaid expenses and other assets	(47.9)	(39.6)
Decrease in accounts payable, accrued liabilities and income taxes payable	(1.1)	(43.4)

Cash provided by operations	231.8	261.7
	<hr/>	<hr/>
Cash provided (used) by investing activities:		
Purchases of investments	(300.0)	(261.6)
Maturities of investments	961.8	395.6
Additions to property, plant and equipment	(72.3)	(58.5)
Disposals of property, plant and equipment	0.1	0.4
Increase in other assets and liabilities, net	(5.5)	(6.6)
	<hr/>	<hr/>
Cash provided by investing activities	584.1	69.3
	<hr/>	<hr/>
Cash provided (used) by financing activities:		
Reductions in long-term debt, including current portion	(251.4)	(1.6)
Increase in notes payable	16.5	4.2
Proceeds from exercise of options and other stock issuances	30.1	53.6
Excess tax benefits from stock option exercises	5.1	--
Repurchase of common stock	(472.9)	(129.1)
Dividends on common stock	(79.3)	(65.3)
	<hr/>	<hr/>
Cash used by financing activities	(751.9)	(138.2)
	<hr/>	<hr/>
Effect of exchange rate changes on cash	12.5	8.0
	<hr/>	<hr/>
Net increase in cash and equivalents	76.5	200.8
Cash and equivalents, beginning of period	954.2	1,388.1
	<hr/>	<hr/>
Cash and equivalents, end of period	\$ 1,030.7	\$1,588.9
	=====	=====

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

NIKE, Inc.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

Basis of presentation:

The accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, necessary for a fair statement of the results of operations for the interim period. The interim financial information and notes thereto should be read in conjunction with the Company's latest Annual Report on Form 10-K. The results of operations for the three (3) months ended August 31, 2006 are not necessarily indicative of results to be expected for the entire year.

Recently Issued Accounting Standards:

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

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

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("FAS 158"). FAS 158 requires employers to fully recognize the obligations associated with single-employer defined benefit pension, retiree healthcare and other postretirement plans in their financial statements. The provisions of FAS 158 are effective as of the end of the fiscal year ending May 31, 2007. The Company is currently evaluating the impact of the provisions of FAS 158.

NOTE 2 - Inventories:

Inventory balances of \$2,134.3 million and \$2,076.7 million at August 31, 2006 and May 31, 2006, respectively, were substantially all finished goods.

NOTE 3 - Identifiable Intangible Assets and Goodwill:

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

	August 31, 2006			May 31, 2006		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in millions)					
Amortized intangible assets:						
Patents	\$ 37.4	\$ (11.2)	\$ 26.2	\$ 34.1	\$ (10.5)	\$ 23.6
Trademarks	47.7	(13.3)	34.4	46.4	(11.8)	34.6
Other	21.5	(16.1)	5.4	21.5	(15.7)	5.8
Total	<u>\$ 106.6</u>	<u>\$ (40.6)</u>	<u>\$ 66.0</u>	<u>\$ 102.0</u>	<u>\$ (38.0)</u>	<u>\$ 64.0</u>
	=====	=====		=====	=====	
Unamortized intangible assets - Trademarks			\$ 341.5			\$ 341.5
Identifiable intangible assets, net			<u>\$ 407.5</u>			<u>\$ 405.5</u>
			=====			=====
Goodwill			\$ 130.8			\$ 130.8
			=====			=====

Amortization expense, which is included in selling and administrative expense, was \$2.5 million and \$2.5 million for the three-month periods ended August 31, 2006 and 2005, respectively. The estimated amortization expense for intangible assets subject to amortization for each of the succeeding years ending May 31, 2007 through May 31, 2011 are as follows: 2007: \$10.0 million; 2008: \$9.8 million; 2009: \$8.7 million; 2010: \$8.0 million; 2011: \$7.5 million.

NOTE 4 - Accrued Liabilities:

Accrued liabilities include the following:

	August 31, 2006	May 31, 2006
	(in millions)	
Compensation and benefits, excluding taxes	\$295.4	\$427.2
Taxes other than income taxes	180.4	115.1
Endorser compensation	151.5	124.7
Advertising and marketing	123.0	75.4
Fair value of derivatives	82.5	111.2
Dividends payable	78.2	79.5
Converse arbitration ¹	36.0	51.9
Other ²	350.7	301.9
	<u>\$1,297.7</u>	<u>\$1,286.9</u>
	=====	=====

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

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

NOTE 5 - Comprehensive Income:

Comprehensive income, net of taxes, is as follows:

Three Months Ended

	August 31,	
	2006	2005
	-----	-----
	(in millions)	
Net income	\$377.2	\$432.3
Other comprehensive income:		
Change in cumulative translation adjustment and other	(2.0)	(17.3)
Changes due to cash flow hedging instruments:		
Net gain on hedge derivatives	19.0	42.0
Reclassification to net income of previously deferred (gains) and losses related to hedge derivative instruments	(1.7)	7.7
	-----	-----
Other comprehensive income	15.3	32.4
	-----	-----
Total comprehensive income	\$392.5	\$464.7
	=====	=====

NOTE 6 - Stock-Based Compensation

In 1990, the Board of Directors adopted, and the shareholders approved, the NIKE, Inc. 1990 Stock Incentive Plan (the "1990 Plan"). The 1990 Plan provides for the issuance of up to 66 million previously unissued shares of Class B Common Stock in connection with stock options and other awards granted under the plan. The 1990 Plan authorizes the grant of non-statutory stock options, incentive stock options, stock appreciation rights, stock bonuses and the issuance and sale of restricted stock. The exercise price for non-statutory stock options, stock appreciation rights and the grant price of restricted stock may not be less than 75% of the market price of the underlying shares on the date of grant. The exercise price for incentive stock options may not be less than the market price of the underlying shares on the date of grant. A committee of the Board of Directors administers the 1990 Plan. The committee has the authority to determine the employees to whom awards will be made, the amount of the awards, and the other terms and conditions of the awards. The committee has granted substantially all stock options at 100% of the market price on the date of grant. Substantially all grants outstanding under the 1990 Plan vest ratably over four years and expire 10 years from the date of grant.

In addition to the 1990 Plan, the Company gives employees the right to purchase shares at a discount to the market price under employee stock purchase plans ("ESPPs").

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

The following table summarizes the effects of applying FAS 123R during the three months ended August 31, 2006. The resulting stock-based compensation expense primarily relates to stock options.

	Three Months Ended August 31, 2006

	(in millions, except per share data)
Addition to selling and administrative expense	\$ 61.3
Reduction to income tax expense	20.5

Reduction to net income ¹	\$ 40.8
	=====

Reduction to earnings per share:
Basic \$ 0.16 Diluted \$ 0.16

¹ In accordance with FAS 123R, included in the total \$40.8 million, net of tax, stock-based compensation expense reported during the three months ended August 31, 2006, is \$22.2 million, net of tax, or \$0.09 per diluted share, of accelerated stock-based compensation expense recorded for employees eligible for accelerated stock option vesting upon retirement. Because the Company usually grants the majority of stock options in a single grant in the first three months of each fiscal year, under FAS 123R accelerated vesting will normally result in higher expense in the first three months and lower expense in each of the remaining quarters of the fiscal year.

As of August 31, 2006, the Company had \$209.3 million of unrecognized compensation costs from stock options, net of estimated forfeitures, to be recognized as selling and administrative expense over a weighted average period of 1.9 years.

The Company has adopted the modified prospective transition method prescribed by FAS 123R, which does not require the restatement of financial results for previous periods. In accordance with this transition method, beginning with the three months ended August 31, 2006, the Company's Unaudited Condensed Consolidated Statement of Income includes (1) amortization of outstanding stock-based compensation granted prior to, but not vested, as of June 1, 2006, based on the fair value estimated in accordance with the original provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" ("FAS 123") and (2) amortization of all stock-based awards granted subsequent to June 1, 2006, based on the fair value estimated in accordance with the provisions of FAS 123R.

Prior to the adoption of FAS 123R, the Company used the intrinsic value method to account for stock options and ESPP shares in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" as permitted by FAS 123. If the Company had instead accounted for stock options and ESPP shares to employees using the fair value method prescribed by FAS 123 during the three months ended August 31, 2005, the Company's pro forma net income and pro forma earnings per share would have been reported as follows:

	Three Months Ended August 31, 2005
	(in millions, except per share data)
Net income as reported	\$ 432.3
Add: Stock option expense included in reported net income, net of tax	0.1
Deduct: Total stock option and ESPP expense under fair value based method for all awards, net of tax	(18.9)
Pro forma net income	\$ 413.5 =====
Earnings per share:	
Basic - as reported	\$ 1.66
Basic - pro forma	\$ 1.58
Diluted - as reported	\$ 1.61
Diluted - pro forma	\$ 1.55

1 Accelerated stock-based compensation expense for options subject to accelerated vesting due to employee retirement is not included in the pro forma figures shown above for the three months ended August 31, 2005. This disclosure reflects the expense of such options ratably over the stated vesting period or upon actual employee retirement. Had the Company recognized the fair value for such stock options on an accelerated basis in this pro forma disclosure, an additional \$18.7 million, net of tax, or \$0.07 per diluted share would be recognized in the disclosure.

The weighted average fair value per share of the options granted during the three months ended August 31, 2006 and 2005 as computed using the Black-Scholes pricing model was \$17.54 and \$19.36, respectively. The weighted average assumptions used to estimate these fair values are as follows:

	Three Months Ended August 31,	
	2006	2005
Dividend yield	1.6%	1.0%
Expected volatility	18.7%	20.7%
Weighted-average expected life (in years)	5.0	4.5
Risk-free interest rate	5.0%	4.0%

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

The following summarizes the Company's stock option transactions during the three months ended August 31, 2006:

Weighted Average Exercise	Weighted Average Contractual Life	Aggregate Intrinsic
---------------------------------	--	------------------------

	Shares	Price	Remaining	Value
	(in millions)		(in years)	(in millions)
Options outstanding May 31, 2006	20.2	\$ 64.62		
Exercised	(0.6)	51.86		
Forfeited	(0.3)	67.11		
Granted	5.6	78.76		

Options outstanding August 31, 2006	24.9	\$ 68.08	7.5	\$ 353.7
	=====	=====	=====	=====
Options exercisable August 31, 2006	12.1	\$ 57.12	6.0	\$ 296.2
	=====	=====	=====	=====

The aggregate intrinsic value in the table above was the amount by which the market value of the underlying stock exceeded the exercise price of the options. The total intrinsic value of the options exercised during the three months ended August 31, 2006 and 2005 was \$16.8 million and \$42.4 million, respectively.

The following table summarizes the Company's total stock-based compensation expense for the three months ended August 31, 2006 (in millions):

Stock options	\$59.5
ESPPs	1.8
Other ¹	8.4

Total stock-based compensation expense	\$69.7
	=====

¹ Other includes certain bonuses, settled in cash or Company shares at the election of the employee and restricted stock grants not significant individually or in the aggregate. The expense related to these awards was included in selling and administrative expense in prior years and was not affected by the adoption of FAS 123R.

NOTE 7 - Earnings Per Common Share:

The following represents a reconciliation from basic earnings per share to diluted earnings per share. Options to purchase 15.4 million and 5.7 million shares of common stock were outstanding at August 31, 2006 and August 31, 2005, respectively, but were not included in the computation of diluted earnings per share because the options were antidilutive.

	Three Months Ended August 31,	
	2006	2005
	-----	-----
	(in millions, except per share data)	
Determination of shares:		
Weighted average common shares outstanding	252.7	260.9
Assumed conversion of dilutive stock options and awards	3.3	7.7
	-----	-----
Diluted weighted average common shares outstanding	256.0	268.6
	=====	=====
Basic earnings per common share	\$ 1.49	\$ 1.66
	=====	=====
Diluted earnings per common share	\$ 1.47	\$ 1.61
	=====	=====

NOTE 8 - Operating Segments:

The Company's operating segments are evidence of the structure of the Company's internal organization. The major segments are defined by geographic regions for operations participating in NIKE brand sales activity excluding NIKE Golf and NIKE Bauer Hockey. Each NIKE brand geographic segment operates predominantly in one industry: the design, production, marketing and selling of sports and fitness footwear, apparel, and equipment. The "Other" category shown below represents activities of Cole Haan Holdings Incorporated, Converse Inc., Exeter

Brands Group LLC, Hurley International LLC, NIKE Bauer Hockey Inc., and NIKE Golf, which are considered immaterial for individual disclosure based on the aggregation criteria in SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information".

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

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

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

	Three Months Ended August 31,	
	2006	2005
	(in millions)	
Revenues		
U.S.	\$1,601.9	\$1,508.9
EUROPE, MIDDLE EAST, AFRICA	1,270.9	1,217.5
ASIA PACIFIC	518.4	459.6
AMERICAS	242.5	213.7
OTHER	560.4	462.3
	<u>\$4,194.1</u>	<u>\$3,862.0</u>
	=====	=====
Pre-tax income		
U.S.	\$ 338.9	\$ 345.2
EUROPE, MIDDLE EAST, AFRICA	302.5	330.2
ASIA PACIFIC	98.9	91.4
AMERICAS	48.4	44.6
OTHER	87.9	40.0
CORPORATE	(300.8)	(191.4)
	<u>\$ 575.8</u>	<u>\$ 660.0</u>
	=====	=====
	Aug. 31,	May 31,
	2006	2006
	(in millions)	
Accounts receivable, net		
U.S.	\$ 755.6	\$ 717.2
EUROPE, MIDDLE EAST, AFRICA	838.1	716.3
ASIA PACIFIC	290.6	319.7
AMERICAS	206.6	174.5
OTHER	393.8	410.0
CORPORATE	84.4	58.2
	<u>\$2,569.1</u>	<u>\$2,395.9</u>
	=====	=====
Inventories		
U.S.	\$ 761.0	\$ 725.9
EUROPE, MIDDLE EAST, AFRICA	573.3	590.1
ASIA PACIFIC	242.9	238.3
AMERICAS	160.4	147.6
OTHER	342.6	330.5
CORPORATE	54.1	44.3
	<u>\$2,134.3</u>	<u>\$2,076.7</u>
	=====	=====
Property, plant and equipment, net		
U.S.	\$ 220.8	\$ 219.3

EUROPE, MIDDLE EAST, AFRICA	271.6	266.6
ASIA PACIFIC	337.7	354.8
AMERICAS	16.9	17.0
OTHER	99.4	98.2
CORPORATE	702.3	701.8
	<u>\$1,648.7</u>	<u>\$1,657.7</u>
	=====	=====

NOTE 9 - Commitments and Contingencies:

At August 31, 2006, the Company had letters of credit outstanding totaling \$177.3 million. These letters of credit were issued primarily for the purchase of inventory.

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

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

Overview

In the first quarter of fiscal 2007, our revenues grew 9% to \$4.2 billion, net income declined 13% to \$377 million and diluted earnings per share were \$1.47, a 9% decrease compared to the first quarter of fiscal 2006. These reported results included a \$61.3 million charge, before taxes, related to stock-based compensation expense now recognized in accordance with Statement of Financial Accounting Standard ("SFAS") No. 123R "Share-Based Payment," ("FAS 123R") which we adopted during the first quarter of fiscal 2007. See further discussion of the adoption of FAS 123R in Note 6 - Stock- Based Compensation in the accompanying Notes to Unaudited Condensed Consolidated Financial Statements. Excluding this charge, our net income declined 3 percentage points and diluted earnings per share were \$1.63, a 1% increase versus the first quarter of fiscal 2006. For the quarter, our consolidated gross margin percentage declined 120 basis points to 44.1%, primarily due to lower in-line net pricing margins (net revenue for current product offerings minus landed product costs) for footwear. Increased demand creation spending in the first quarter of fiscal 2007 compared to the first quarter of fiscal 2006 also contributed to the pre-tax income decline in the quarter and reflected increased spending on advertising and sports marketing events, primarily around the global World Cup and Nike Air (registered) campaigns.

Results of Operations

	Three Months Ended August 31,		
	2006	2005	change
	(dollars in millions, except per share data)		
Revenues	\$4,194.1	\$3,862.0	9%
Cost of sales	2,344.9	2,113.9	11%
Gross margin	1,849.2	1,748.1	6%
Gross margin %	44.1%	45.3%	
Selling and administrative expense	1,289.7	1,104.4	17%
% of revenues	30.8%	28.6%	
Income before income taxes	575.8	660.0	-13%
Net income	377.2	432.3	-13%
Diluted earnings per share	1.47	1.61	-9%

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

	Three Months Ended August 31,		
	2006	2005	change
	(dollars in millions, except per share data)		
Net income, as reported	\$377.2	\$432.3	-13%

Stock-based compensation expense1, net of tax of \$20.5	40.8	--	-
Net income, excluding stock- based compensation expense2	\$418.0	\$432.3	-3%
Diluted EPS, as reported	\$ 1.47	\$ 1.61	-9%
Diluted EPS, excluding stock- based compensation expense	\$ 1.63	\$ 1.61	1%

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

2 This schedule is intended to satisfy the quantitative reconciliation for non-GAAP financial measures in accordance with Regulation G of the Securities and Exchange Commission. In addition, this schedule is provided to enhance the visibility of the underlying business trends by presenting our results for the first quarter of fiscal 2007 using the same accounting policy for stock-based compensation expense applied during the first quarter of fiscal 2006.

Consolidated Operating Results

Revenues

	Three Months Ended August 31,		
	2006	2005	% change
	(dollars in millions)		
Revenues	\$4,194.1	\$3,862.0	9%

In the first quarter of fiscal 2007, changes in currency exchange rates, primarily the stronger euro, increased the consolidated revenue growth by 2 percentage points. Excluding the impact of changes in foreign currency, our international regions contributed approximately 3 percentage points of the consolidated revenue growth for the first quarter of fiscal 2007, as all three of our international regions posted higher revenues. The U.S. region contributed 2 percentage points of the consolidated revenue growth for the first quarter of fiscal 2007. Sales in our Other businesses drove the balance of the improvement for the quarter. Revenues for our Other businesses are comprised substantially of results from Cole Haan Holdings Incorporated, Converse Inc., Exeter Brands Group LLC, Hurley International LLC, NIKE Bauer Hockey, Inc., and NIKE Golf.

Gross Margin

	Three Months Ended August 31,		
	2006	2005	change
	(dollars in millions)		
Gross margin	\$1,849.2	\$1,748.1	6%
Gross margin %	44.1%	45.3%	-120 bps

In the first quarter of fiscal 2007, our consolidated gross margin percentage declined 120 basis points compared to the first quarter of 2006. The primary factors contributing to the reduced gross margin percentage for the first quarter of 2007 were as follows:

(1) Lower footwear in-line net pricing margins due to:

- additional costs incurred to meet strong footwear demand in the U.S. region;

- higher sales incentives, primarily in the Europe, Middle East and Africa ("EMEA") and Asia Pacific regions;

- strategies to improve consumer value in EMEA;
 - overall higher product costs, primarily the result of higher labor costs and oil prices; and
 - a shift in the mix of footwear models sold from higher margin models toward those with lower margins, most notably in EMEA;
- (2) Higher third party royalty costs driven by increased sales of team- endorsed soccer apparel.

These factors were partially offset by improved gross margin percentages in our Other businesses driven primarily by NIKE Bauer Hockey, NIKE Golf, and Converse, offset by a decline at Exeter.

Selling and Administrative Expense

%	Three Months Ended August 31,		
	2006	2005	change
	(dollars in millions)		
Operating overhead expense, excluding stock-based compensation expense ¹	\$ 726.4	\$ 682.8	6%
Stock-based compensation expense ²	61.3	--	-
Operating overhead expense, as reported	787.7	682.8	15%
Demand creation expense ³	502.0	421.6	19%
Selling and administrative expense	\$1,289.7	\$1,104.4	17%
% of revenues	30.8%	28.6%	220 bps

¹ This schedule is intended to satisfy the quantitative reconciliation for non-GAAP financial measures in accordance with Regulation G of the Securities and Exchange Commission. In addition, this schedule is provided to enhance the visibility of the underlying business trends excluding this identifiable expense by presenting our results for the first quarter of fiscal 2007 using the same accounting policy for stock-based compensation expense applied during the first quarter of fiscal 2006.

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

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

Changes in currency exchange rates increased selling and administrative expense by 1 percentage point in the first quarter of fiscal 2007 compared to the prior year.

In the first quarter of fiscal 2007, demand creation expense increased 19 percentage points over the prior year due to increased spending on advertising and sports marketing events, primarily associated with the global World Cup and Nike Air (registered) campaigns. In addition, demand creation expense was particularly light in the first quarter of fiscal 2006 reflecting a greater concentration of advertising later in that year.

Excluding stock-based compensation expense, operating overhead increased 6 percentage points, a lower rate of growth than revenue. The increase in operating overhead was mainly attributable to higher wages and benefits; increased spending to support the growth of NIKE-owned retail, primarily related to new stores; and increased spending to support the growth of our Other businesses.

Other Income, net

%	Three Months Ended August 31,		
	2006	2005	change
	(dollars in millions)		
Other income, net	\$ 3.2	\$ 9.9	-68%

The reduction in Other income, net for the first quarter of fiscal 2007 compared to the prior year was primarily driven by foreign currency hedge losses in the first quarter of fiscal 2007, compared to foreign currency hedge gains in the first quarter of fiscal 2006, more than offset by a benefit from a favorable settlement of the previously disclosed Converse arbitration. The hedge losses and gains are reflected in the Corporate line in our segment presentation of pre-tax income, and the Converse arbitration settlement is reflected in the Other line in our segment presentation of pre-tax income in the Notes to Unaudited Condensed Consolidated Financial Statements (Note 8 - Operating Segments).

Income Taxes

%	Three Months Ended August 31,		
	2006	2005	change
Effective tax rate	34.5%	34.5%	-

The effective tax rate for the first quarter of fiscal 2007 is consistent with the first quarter of fiscal 2006.

Futures Orders

Worldwide futures and advance orders for our footwear and apparel scheduled for delivery from September 2006 through January 2007 were 6% higher than such orders reported for the comparable period of fiscal 2006. This futures growth rate is calculated based upon our forecasts of the actual exchange rates under which our revenues will be translated during this period, which approximate current spot rates. The net effect from changes in currency exchange rates improved this reported increase by 0.5 percentage points versus the same period last year. Unit sales volume increases for both footwear and apparel contributed more than 4 percentage points of the growth in overall futures and advance orders. The remaining increase was due to higher average selling prices for footwear and apparel. The reported futures and advance orders growth is not necessarily indicative of our expectation of revenue growth during this period. This is because the mix of orders can shift between advance/futures and at-once orders. In addition, exchange rate fluctuations as well as differing levels of order cancellations and discounts can cause differences in the comparisons between futures and advance orders, and actual revenues. Moreover, a significant portion of our revenue is not derived from futures and advance orders, including at-once and closeout sales of NIKE footwear and apparel, wholesale sales of equipment, U.S. licensed team apparel, Cole Haan, Converse, Exeter Brands Group, Hurley, NIKE Bauer Hockey, NIKE Golf and retail sales across all brands.

Operating Segments

The breakdown of revenues follows:

	Three Months Ended August 31,		
	2006	2005	% change
(dollars in millions)			
U.S. Region			
Footwear	\$1,079.1	\$1,021.1	6%
Apparel	431.5	395.5	9%
Equipment	91.3	92.3	-1%
Total U.S.	1,601.9	1,508.9	6%
EMEA Region			
Footwear	679.5	685.1	-1%
Apparel	487.0	435.2	12%
Equipment	104.4	97.2	7%
Total EMEA	1,270.9	1,217.5	4%
Asia Pacific Region			
Footwear	266.0	237.4	12%
Apparel	200.9	176.5	14%
Equipment	51.5	45.7	13%
Total Asia Pacific	518.4	459.6	13%

Americas Region			
Footwear	172.3	156.9	10%
Apparel	51.2	40.7	26%
Equipment	19.0	16.1	18%
Total Americas	242.5	213.7	13%
	3,633.7	3,399.7	7%
Other	560.4	462.3	21%
Total revenues	\$4,194.1	\$3,862.0	9%
	=====	=====	

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

	Three Months Ended August 31,		
	2006	2005	% change
	(dollars in millions)		
U.S. Region	\$ 338.9	\$ 345.2	-2%
EMEA Region	302.5	330.2	-8%
Asia Pacific Region	98.9	91.4	8%
Americas Region	48.4	44.6	9%
Other	87.9	40.0	120%
Corporate	(300.8)	(191.4)	-57%
Total pre-tax income	\$ 575.8	\$ 660.0	-13%

The discussion following includes disclosure of pre-tax income for our operating segments. We have reported pre-tax income for each of our operating segments in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." As discussed in Note 8 - Operating Segments in the accompanying Notes to Unaudited Condensed Consolidated Financial Statements, certain corporate costs are not included in pre-tax income of our operating segments.

U.S. Region

	Three Months Ended August 31,		
	2006	2005	% change
	(dollars in millions)		
Revenues			
Footwear	\$1,079.1	\$1,021.1	6%
Apparel	431.5	395.5	9%
Equipment	91.3	92.3	-1%
Total revenues	\$1,601.9	\$1,508.9	6%
Pre-tax income	\$ 338.9	\$ 345.2	-2%

The increase in U.S. footwear revenue for the first quarter of fiscal 2007 was due to increases in both unit sales and average selling price per pair. The increase in units sold was driven by increased consumer demand for our Brand Jordan and Nike brand sport culture products. The higher average selling price per pair reflected increased consumer demand for higher priced sport performance and NIKE brand sport culture products.

The increase in U.S. apparel revenues for the first quarter of fiscal 2007 was driven by increased unit sales, primarily NIKE brand sport performance apparel, as well as an increase in average selling prices, driven by NIKE brand sport performance and Brand Jordan apparel.

The decrease in the U.S. region pre-tax income in the first quarter of fiscal 2007 reflected higher selling and administrative expenses and a lower gross margin percentage. The lower gross margin percentage was primarily the result of lower in-line pricing margins for footwear attributable to

additional costs incurred to meet strong footwear unit demand and higher product costs. Selling and administrative costs increased as a result of higher demand creation spending around the World Cup and Nike Air (registered) campaigns as well as an increase in operating overhead expense, driven by increased spending for new NIKE-owned retail stores and expected annual increases in wages and benefits.

EMEA Region

	Three Months Ended August 31,		
	2006	2005	% change
(dollars in millions)			
Revenues			
Footwear	\$ 679.5	\$ 685.1	-1%
Apparel	487.0	435.2	12%
Equipment	104.4	97.2	7%
Total revenues	\$1,270.9	\$1,217.5	4%
Pre-tax income	\$ 302.5	\$ 330.2	-8%

For the EMEA region, changes in currency exchange rates increased revenue growth by 3 percentage points in the first quarter of fiscal 2007. Excluding changes in currency exchange rates, sales increases in our Central Europe, Middle East and Africa unit led the revenue growth, offset by a decline in the U.K. The decline in footwear revenue reflected decreased unit sales and a slight decline in the average selling price per pair. The decreased unit sales of footwear reflected lower demand resulting from the difficult retail environment, most notably in the U.K., offset by increased demand for sport culture products across the rest of the region. The decline in the average selling price per pair was due in part to changes in the mix of in-line products sold towards products with a lower average selling price, and higher sales incentives as a result of the difficult retail environment mentioned above. The increase in EMEA apparel revenue was driven by increased unit sales and average selling prices of NIKE brand apparel, primarily sport performance products.

The decrease in EMEA pre-tax income for the first quarter of fiscal 2007 was driven by a lower gross margin percentage and higher selling and administrative costs more than offsetting higher revenues and favorable foreign currency translation compared to the prior year. The lower gross margin percentage was primarily the result of lower in-line net pricing margins in footwear as well as higher third party royalty costs driven by increased sales of team-endorsed soccer apparel, partially offset by improved year-over-year euro hedge rates. The lower in-line net pricing margins in footwear were due to higher product costs, primarily the result of increased labor costs and higher oil prices, higher sales incentives, strategies to improve consumer value, and a shift in the mix of footwear models sold from models with higher margins towards models with lower margins. Excluding changes in foreign currency exchange rates, selling and administrative expenses in the first quarter of 2007 were higher than in the first quarter of 2006 driven primarily by higher demand creation spending around the World Cup and NIKE Air (registered) campaigns. Operating overhead expense increased slightly, due primarily to expected annual increases in wages and benefits.

Asia Pacific Region

	Three Months Ended August 31,		
	2006	2005	% change
(dollars in millions)			
Revenues			
Footwear	\$ 266.0	\$ 237.4	12%
Apparel	200.9	176.5	14%
Equipment	51.5	45.7	13%
Total revenues	\$ 518.4	\$ 459.6	13%

Pre-tax income \$ 98.9 \$ 91.4 8%

In the Asia Pacific region, changes in currency exchange rates did not have a significant impact on revenues for the first quarter of fiscal 2007 compared to the prior year. Footwear revenue growth reflected increased unit sales, partially offset by lower average selling prices, due primarily to strategies to improve consumer value in Japan. The increase in apparel revenues was driven primarily by increased demand for sport performance products, particularly related to the World Cup, as well as increased demand for sport culture products. Revenues increased in almost all countries. China was the primary growth driver for the quarter due to retail distribution expansion coupled with strong consumer demand.

The increase in pre-tax income for the Asia Pacific region in the first quarter of fiscal 2007 was driven by higher revenues partially offset by increased selling and administrative expenses. Changes in currency exchange rates increased pre-tax income by 1 percentage point. The gross margin percentage remained relatively flat compared to the prior year. Demand creation spending around the World Cup drove the increase in selling and administrative expenses while operating overhead spending remained consistent with the prior year.

Americas Region

	Three Months Ended August 31,		
	2006	2005	% change
	(dollars in millions)		
Revenues			
Footwear	\$ 172.3	\$ 156.9	10%
Apparel	51.2	40.7	26%
Equipment	19.0	16.1	18%
Total revenues	\$ 242.5	\$ 213.7	13%
Pre-tax income	\$ 48.4	\$ 44.6	9%

In the Americas region, 3 percentage points of the revenue growth for the first quarter of fiscal 2007 were due to changes in foreign currency exchange rates. Excluding the changes in foreign currency exchange rates, sales in each Americas product business unit grew in the first quarter. The revenue growth for the quarter was driven primarily by increased sales in nearly every country in the region, with significant sales increases in Argentina and Mexico offset by sales declines in Brazil as we respond to a shift in consumer preferences to sport culture products.

The increase in pre-tax income for the Americas region in the first quarter of fiscal 2007 was attributable to higher revenues, an improved gross margin percentage, and favorable foreign currency translation partially offset by higher selling and administrative expenses. The increased selling and administrative expenses were due to increases in both demand creation spending, primarily around the World Cup campaign, as well as increased operating overhead expense driven by increased wages and benefits and costs incurred for the implementation of new supply chain systems in the region.

Other Businesses

	Three Months Ended August 31,		
	2006	2005	% change
	(dollars in millions)		
Revenues	\$ 560.4	\$ 462.3	21%
Pre-tax income	87.9	40.0	120%

The increase in Other business revenues for the first quarter of fiscal 2007 was driven by higher revenues across every business, most notably NIKE Golf and NIKE Bauer Hockey in addition to the wholesale business expansion at Exeter.

Pre-tax income from the Other businesses in the first quarter of fiscal 2007 increased 120 percentage points as compared to the first quarter of fiscal 2006 and included a \$14.2 million benefit resulting from the final settlement of the previously disclosed arbitration ruling involving Converse and a former South American licensee. Excluding the Converse arbitration settlement benefit, the pre-tax income improvement was attributable to higher revenues and an improved gross margin percentage, most notably at NIKE Bauer Hockey, NIKE Golf, and Converse.

Liquidity and Capital Resources

Cash Flow Activity

Cash provided by operations was \$231.8 million for the first quarter of fiscal 2007, compared to \$261.7 million for the first quarter of fiscal 2006. Our primary source of operating cash flow for the first quarter of fiscal 2007 was net income of \$377.2 million offset by an increased investment in working capital to support growth in the business. The increased investment in working capital over the first quarter of fiscal 2006 was largely due to an increase in inventories which reflects our business growth driven by futures and at once order growth, early product ordering to optimize factory capacity, a market slowdown primarily in EMEA, and an increase in replenishment business.

Cash provided by investing activities was \$584.1 million for the first quarter of fiscal 2007, compared to \$69.3 million for the first quarter of fiscal 2006. The increase over fiscal 2006 was primarily due to higher net maturities of short-term investments (maturities net of purchases).

Cash used by financing activities was \$751.9 million for the first quarter of fiscal 2007, an increase of \$613.7 million from the first quarter of fiscal 2006. The increase over fiscal 2006 was primarily due to the \$250 million repayment of corporate bonds and an increase in share repurchases, as discussed below.

In the current quarter, we purchased 6.0 million shares of NIKE's Class B common stock for \$476.7 million. During the quarter, we completed the previous four-year, \$1.5 billion share repurchase program approved by the Board of Directors in June 2004 and started repurchasing shares under the Company's new four-year, \$3 billion share repurchase program approved by the Board of Directors in June 2006. As of the end of the first quarter of fiscal 2007, the Company had purchased 4.0 million shares for \$314.1 million under the new \$3 billion program. We expect to fund share repurchases from operating cash flow, excess cash, and/or debt. The timing and the amount of shares purchased will be dictated by our capital needs and stock market conditions.

Dividends declared per share of common stock for the first quarter of fiscal 2007 were \$0.31, compared to \$0.25 in the first quarter of fiscal 2006.

Contractual Obligations

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

Endorsement contract obligations as of August 31, 2006 are as follows:

Description of Commitment	Cash Payments Due During the Fiscal Year Ending May 31,						Total
	Remaining 2007	2008	2009	2010	2011	Thereafter	
Endorsement Contracts	\$ 326.6	370.9	293.4	218.6	166.7	525.2	\$1,901.4

(in millions)

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

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

Capital Resources

No amounts are currently outstanding under our committed revolving credit facility. The terms of our facility have not changed from those described in our Annual Report on Form 10-K for the fiscal year ended May 31, 2006.

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

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

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

Recently Issued Accounting Standards

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

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

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("FAS 158"). FAS 158 requires employers to fully recognize the obligations associated with single-employer defined benefit pension, retiree healthcare and other postretirement plans in their financial statements. The provisions of FAS 158 are effective as of the end of the fiscal year ending May 31, 2007. We are currently evaluating the impact of the provisions of FAS 158.

Critical Accounting Policies

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

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

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

Stock-based Compensation

As of the first quarter of fiscal 2007, we account for stock-based compensation in accordance with FAS 123R. Under the provisions of FAS 123R, the fair value of stock-based compensation is estimated on the date of grant using the Black-Scholes fair value model. The Black-Scholes option pricing model requires the input of highly subjective assumptions including volatility. Expected volatility is estimated based on implied volatility in market traded options on the Company's common stock, with a term greater than one year. Our decision to use implied volatility was based on the availability of actively traded options on our common stock and our assessment that implied volatility is more representative of future stock price trends than historical volatility. If factors change and we use different assumptions for estimating stock-based compensation expense in future periods, stock-based compensation expense may differ materially in the future from that recorded in the current period.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Item 4. CONTROLS AND PROCEDURES

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

The Company carries out a variety of on-going procedures, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, to evaluate the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of August 31, 2006.

There has been no change in the Company's internal controls over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonable likely to materially affect, the Company's internal controls over financial reporting.

Special Note Regarding Forward-Looking Statements and Analyst Reports

Certain written and oral statements, other than purely historical information including estimates, projections, statements relating to NIKE's business plans, objectives and expected operating results, and the assumptions upon which those statements are based, made or incorporated by reference from time to time by NIKE or its representatives in this report, other reports, filings with the Securities and Exchange Commission, press releases, conferences, or otherwise, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934. 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 significant developments with respect to the information previously reported under Item 4 of the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2006.

Item 1A. Risk Factors

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

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

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

Period	Total Number Of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
				(in millions)
June 1 - 30, 2006	1,360,000	\$ 81.60	1,360,000	\$3,051.6
July 1 - 31, 2006	1,930,700	\$ 79.44	1,930,700	\$2,898.2
August 1 - 31, 2006	2,736,600	\$ 77.60	2,736,600	\$2,685.9
Total	6,027,300 =====	\$ 79.09 =====	6,027,300 =====	

Item 6. Exhibits

(a) EXHIBITS:

3.1 Restated Articles of Incorporation, as amended (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2005).

3.2 Third Restated Bylaws, as amended (incorporated by reference from Exhibit 3.2 to the Company's Current Report on Form 8-K filed November 18, 2004).

4.1 Restated Articles of Incorporation, as amended (see Exhibit 3.1).

4.2 Third Restated Bylaws, as amended (see Exhibit 3.2).

12.1 Computation of Ratio of Earnings to Fixed Charges.

31.1 Rule 13(a)-14(a) Certification of Chief Executive Officer.

31.2 Rule 13(a)-14(a) Certification of Chief Financial Officer.

32.1 Section 1350 Certificate of Chief Executive Officer.

32.2 Section 1350 Certificate of Chief Financial Officer.

SIGNATURES

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

NIKE, Inc. an Oregon Corporation

/s/Donald W. Blair

Donald W. Blair
Chief Financial Officer

DATED: October 3, 2006

EXHIBIT 12.1**NIKE, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**

	Three Months Ended August 31,	
	2006	2005
	(in millions)	
Net income	\$ 377.2	\$432.3
Income taxes	198.6	227.7
Income before income taxes	575.8	660.0
Add fixed charges		
Interest expense (A)	15.3	11.3
Interest component of leases (B)	23.1	20.1
Total fixed charges	38.4	31.4
Earnings before income taxes and fixed charges (C)	\$ 614.2	\$ 691.4
Ratio of earnings to total fixed charges	16.0	22.0

(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.

EXHIBIT 31.1

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Mark G. Parker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NIKE, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 3, 2006

/s/ Mark G. Parker

*Mark G. Parker
Chief Executive Officer*

EXHIBIT 31.2

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Donald W. Blair, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NIKE, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over Financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 3, 2006

/s/ Donald W. Blair

*Donald W. Blair
Chief Financial Officer*

EXHIBIT 32.1

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of NIKE, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended August 31, 2006 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 3, 2006

/s/ Mark G. Parker

*Mark G. Parker
Chief Executive Officer*

A signed original of this written statement required by Section 906 has been provided to NIKE, Inc. and will be retained by NIKE, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of NIKE, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended August 31, 2006 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 3, 2006

/s/ Donald W. Blair

*Donald W. Blair
Chief Financial Officer*

A signed original of this written statement required by Section 906 has been provided to NIKE, Inc. and will be retained by NIKE, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.