

Nike, Inc. Notes to Consolidated Financial Statements

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of consolidation: The consolidated financial statements include the accounts of NIKE, Inc. and its subsidiaries (the Company).

All significant intercompany transactions and balances have been eliminated.

Recognition of revenues: Revenues recognized include sales and fees earned on sales by licensees. Revenues are recognized when title passes based on the terms of the sale, which are generally upon shipment.

Advertising and promotion: Advertising production costs are expensed the first time the advertisement is run. Media (TV and print) placement costs are expensed in the month the advertising appears. Accounting for endorsement contracts, the majority of the Company's promotional expenses, is based upon specific contract provisions. Generally, endorsement payments are expensed uniformly over the term of the contract after giving recognition to periodic performance compliance provisions of the contracts. Contracts requiring prepayments are included in prepaid expenses or other assets depending on the length of the contract. Total advertising and promotion expenses were \$978.2 million, \$978.6 million and \$1,129.1 million for the years ended May 31, 2000, 1999 and 1998, respectively. Included in prepaid expenses and other assets was \$158.7 million and \$180.9 million at May 31, 2000 and 1999, respectively, relating to prepaid advertising and promotion expenses.

Cash and equivalents: Cash and equivalents represent cash and short-term, highly liquid investments with original maturities of three months or less.

Inventory valuation: Inventories are stated at the lower of cost or market. Inventories are valued on a first-in, first-out (FIFO) basis.

In the fourth quarter of fiscal year 1999, the Company changed its method of determining cost for substantially all of its U.S. inventories from last-in, first-out (LIFO) to FIFO. See Note 11.

Property, plant and equipment and depreciation: Property, plant and equipment are recorded at cost. Depreciation for financial reporting purposes is determined on a straight-line basis for buildings and leasehold improvements over 2 to 30 years and principally on a declining balance basis for machinery and equipment over 2 to 8 years. Computer software is depreciated on a straight-line basis over 3 to 7 years.

Identifiable intangible assets and goodwill: At May 31, 2000 and 1999, the Company had patents, trademarks and other identifiable intangible assets with a value of \$215.2 million and \$213.0 million, respectively. The Company's excess of purchase cost over the fair value of net assets of businesses acquired (goodwill) was \$323.5 million and \$324.8 million at May 31, 2000 and 1999, respectively.

Identifiable intangible assets and goodwill are being amortized over their estimated useful lives on a straight-line basis over five to forty years. Accumulated amortization was \$127.8 million and \$111.2 million at May 31, 2000 and 1999, respectively. Amortization expense, which is included in other income/expense, was \$18.5 million, \$19.4 million and \$19.8 million for the years ended May 31, 2000, 1999 and 1998, respectively. Intangible assets are periodically reviewed by the Company for impairments to assess if the fair value is less than the carrying value.

Foreign currency translation: Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are included in the currency translation adjustment, a component of accumulated other comprehensive income in shareholders' equity.

Derivatives: The Company enters into foreign currency contracts in order to reduce the impact of certain foreign currency fluctuations. Firmly committed transactions and the related receivables and payables may be hedged with forward exchange contracts or purchased options. Anticipated, but not yet firmly committed, transactions may be hedged through the use of purchased options. Premiums paid on purchased options and any realized gains are included in prepaid expenses or accrued liabilities and are recognized in earnings when the transaction being hedged is recognized. Gains and losses arising from foreign currency forward and option contracts, and cross-currency swap transactions are recognized in income or expense as offsets of gains and losses resulting from the underlying hedged transactions. Hedge effectiveness is determined by evaluating whether

gains and losses on hedges will offset gains and losses on the underlying exposures. This evaluation is performed at inception of the hedge and periodically over the life of the hedge. Occasionally, hedges may cease to be effective and are thus terminated prior to recognition of the underlying transaction. Gains and losses on these hedges are deferred until the point in time ineffectiveness is determined and will be included in the basis of the underlying transaction. Hedges will also be terminated if the underlying transaction is no longer expected to occur. When this occurs all related deferral gains and losses are recognized in earnings immediately. Cash flows from risk management activities are classified in the same category as the cash flows from the related investment, borrowing or foreign exchange activity. See Note 15 for further discussion.

Income taxes: Income taxes are provided currently on financial statement earnings of non-U.S. subsidiaries expected to be repatriated. The Company intends to determine annually the amount of undistributed non-U.S. earnings to invest indefinitely in its non-U.S. operations. The Company accounts for income taxes using the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of other assets and liabilities. See Note 6 for further discussion.

Earnings per share: Basic earnings per common share is calculated by dividing net income by the average number of common shares outstanding during the year. Diluted earnings per common share is calculated by adjusting outstanding shares, assuming conversion of all potentially dilutive stock options and awards. See Note 9 for further discussion.

Management estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates, including estimates relating to assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications: Certain prior year amounts have been reclassified to conform to fiscal year 2000 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

NOTE 2 - INVENTORIES:

Inventories by major classification are as follows:

(in millions)

MAY 31,	2000	1999
Finished goods	\$1,416.6	\$ 1,127.6
Work-in-progress	17.3	21.2
Raw materials	12.1	21.8
	\$1,446.0	\$1,170.6

As stated in Note 1, the Company changed its inventory valuation method for substantially all U.S. inventories in fiscal year 1999.

NOTE 3 – PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment includes the following:

(in millions)

MAY 31,	2000	1999
Land	\$ 180.6	\$ 99.6
Buildings	503.4	374.2
Machinery and equipment	981.9	923.3
Leasehold improvements	279.6	273.4
Construction in process	448.3	330.8
	2,393.8	2,001.3
Less accumulated depreciation	810.4	735.5
	\$1,583.4	\$1,265.8

Capitalized interest expense incurred was \$4.8 million, \$6.9 million and \$6.5 million for the fiscal years ended May 31, 2000, 1999 and 1998, respectively.

NOTE 4 – SHORT-TERM BORROWINGS AND CREDIT LINES:

Commercial paper outstanding, notes payable to banks and interest bearing accounts payable to Nissho Iwai American Corporation (NIAC) are summarized below:

(in millions)

MAY 31,	2000		1999	
	BORROWINGS	INTEREST RATE	BORROWINGS	INTEREST RATE
Notes payable and commercial paper:				
Non-U.S. operations	\$232.3	3.72%	\$239.8	3.87%
U.S. operations	691.9	6.42%	179.3	4.85%
	\$924.2		\$419.1	
NIAC:				
U.S. and Europe operations	\$ 70.0	6.36%	\$ 29.8	5.30%
Rest of world operations	47.3	7.15%	68.2	5.30%
	\$ 117.3	6.68%	\$ 98.0	5.30%

The Company has outstanding loans at interest rates at various spreads above the banks' cost of funds for financing non-U.S. operations. Certain of these loans are secured by accounts receivable and inventory. U.S. operations were funded principally with commercial paper.

Ratings for the Company to issue commercial paper, which is required to be supported by committed and uncommitted lines of credit, are A1 by Standard and Poor's Corporation and P1 by Moody's Investor Service. At May 31, 2000 there was \$691.9 million outstanding and at May 31, 1999 there was \$179.3 million outstanding under these arrangements, net of discounting.

The Company purchases through NIAC certain athletic footwear and apparel it acquires from non-U.S. suppliers. Accounts payable to NIAC are generally due up to 60 days after shipment of goods from the foreign port. For NIKE's U.S. and Europe operations the interest on such accounts payable accrues at the 30 day London Interbank Offered Rate (LIBOR) as of the beginning of the month of the invoice date. For the rest of NIKE's global operations, the interest on such accounts payable accrues at the 60 day LIBOR as of the beginning of the month of the invoice date, plus 0.75%.

At May 31, 2000, the Company had no outstanding borrowings under its \$500 million unsecured multiple option facility with 10 banks, which matures on October 31, 2002, and on May 31, 2000 the Company had no outstanding borrowings under its \$305 million unsecured multiple option facility with eight banks, which matures on May 17, 2001. These agreements contain optional borrowing alternatives consisting of a committed revolving loan facility and a competitive bid facility. The interest rate charged on both the \$500 million and the \$305 million agreements is determined by the borrowing option and, under the committed revolving loan facility, is either the LIBOR rate plus 0.19% or the higher of the Fed Funds rate plus 0.50% or the Prime Rate. The \$500 million and the \$305 million agreements provide for annual fees of 0.07%, and 0.045% respectively, of the total commitment. Under these agreements, the Company must maintain, among other things, certain minimum specified financial ratios with which the Company was in compliance at May 31, 2000.

NOTE 5 - LONG-TERM DEBT:

Long-term debt includes the following:

(in millions)

MAY 31,	2000	1999
6.375% Medium term notes, payable December 1, 2003	\$199.6	\$199.5
4.3% Japanese yen notes, payable June 26, 2011	98.2	84.6
2.6% Japanese yen loans, payable November 20, 2020	84.2	—
2.0% Japanese yen loans, payable November 20, 2020	37.4	—
6.51% Medium term notes, payable June 16, 2000	50.0	50.0
6.69% Medium term notes, payable June 17, 2002	50.0	50.0
Other	1.0	3.0
Total	520.4	387.1
Less current maturities	50.1	1.0
	\$470.3	\$386.1

In December 1996, the Company filed a \$500 million shelf registration with the Securities and Exchange Commission (SEC) and issued \$200 million seven-year notes, maturing December 1, 2003. In June 1997, the Company issued an additional \$100 million in medium-term notes under this program with maturities of June 16, 2000 and June 17, 2002. Interest on these notes is paid semi-annually. The proceeds were subsequently exchanged for Dutch guilders and loaned to a European subsidiary. The Company entered into swap transactions to hedge the foreign currency exposure related to the repayment of the intercompany loan. In February 1999, the Company filed a shelf registration with the SEC for the sale of up to \$500 million in debt securities, of which \$200 million had been previously registered but not issued under the December 1996 registration.

In June 1996, one of the Company's Japanese subsidiaries borrowed 10,500 million Japanese yen in a private placement with a maturity of June 26, 2011. Interest is paid semi-annually. The agreement provides for early retirement after year ten.

In July 1999, another of the Company's Japanese subsidiaries assumed 13,000 million in Japanese yen loans as part of its agreement to purchase a distribution center in Japan, which serves as collateral for the loans. These loans have a maturity of November 20, 2020. Interest is paid quarterly.

The Company's long-term debt ratings are A by Standard and Poor's Corporation and A1 by Moody's Investor Service. Amounts of long-term maturities in each of the five fiscal years 2001 through 2005 are \$50.1 million, \$0.4 million, \$50.1 million, \$199.7 million and \$0.1 million, respectively.

NOTE 6 - INCOME TAXES:

Income before income taxes and the provision for income taxes are as follows:

(in millions)

YEAR ENDED MAY 31,	2000	1999	1998
Income before income taxes:			
United States	\$ 530.4	\$ 598.7	\$ 648.2
Foreign	388.8	147.4	4.8
	\$ 919.2	\$ 746.1	\$ 653.0
Provision for income taxes:			
Current:			
United States			
Federal	\$ 205.0	\$ 210.2	\$ 258.4
State	30.6	34.3	43.1
Foreign	58.8	50.1	69.4
	294.4	294.6	370.9
Deferred:			
United States			
Federal	32.7	(7.6)	(40.2)
State	1.6	4.0	(8.8)
Foreign	11.4	3.7	(68.5)
	45.7	0.1	(117.5)
	\$ 340.1	\$ 294.7	\$ 253.4

A benefit was recognized for foreign loss carryforwards of \$234.1 million at May 31, 2000 of which \$18.5 million, \$85.1 million, \$6.2 million, \$25.6 million and \$11.2 million expire in fiscal years 2003, 2004, 2005, 2006, and 2007, respectively. Foreign loss carryforwards of \$87.5 million do not expire.

As of May 31, 2000 the Company had utilized all foreign tax credits.

Deferred tax liabilities (assets) are comprised of the following:

(in millions)

MAY 31,	2000	1999
Undistributed earnings of foreign subsidiaries	\$ 24.9	\$ 9.8
Other	19.8	16.1
Gross deferred tax liabilities	44.7	25.9
Allowance for doubtful accounts	(16.0)	(16.2)
Inventory reserves	(16.3)	(17.8)
Deferred compensation	(36.2)	(33.2)
Reserves and accrued liabilities	(53.9)	(59.0)
Tax basis inventory adjustment	(14.7)	(17.8)
Depreciation	(33.3)	(33.7)
Foreign loss carryforwards	(72.2)	(94.6)
Other	(18.4)	(18.4)
Gross deferred tax assets	(261.0)	(290.7)
Net deferred tax assets	\$(216.3)	\$(264.8)

A reconciliation from the U.S. statutory federal income tax rate to the effective income tax rate follows:

YEAR ENDED MAY 31,	2000	1999
U.S. Federal statutory rate	35.0%	35.0%
State income taxes, net of federal benefit	2.3	3.3
Other, net	(0.3)	1.2
Effective income tax rate	37.0%	39.5%

NOTE 7 - REDEEMABLE PREFERRED STOCK:

NIAC is the sole owner of the Company's authorized Redeemable Preferred Stock, \$1 par value, which is redeemable at the option of NIAC at par value aggregating \$0.3 million. A cumulative dividend of \$0.10 per share is payable annually on May 31 and no dividends may be declared or paid on the common stock of the Company unless dividends on the Redeemable Preferred Stock have been declared and paid in full. There have been no changes in the Redeemable Preferred Stock in the three years ended May 31, 2000. As the holder of the Redeemable Preferred Stock, NIAC does not have general voting rights but does have the right to vote as a separate class on the sale of all or substantially all of the assets of the Company and its subsidiaries, on merger, consolidation, liquidation or dissolution of the Company or on the sale or assignment of the NIKE trademark for athletic footwear sold in the United States.

NOTE 8 – COMMON STOCK:

The authorized number of shares of Class A Common Stock no par value and Class B Common Stock no par value are 110 million and 350 million, respectively. Each share of Class A Common Stock is convertible into one share of Class B Common Stock. Voting rights of Class B Common Stock are limited in certain circumstances with respect to the election of directors.

The Company's Employee Incentive Compensation Plan (the "1980 Plan") was adopted in 1980 and expired on December 31, 1990.

The 1980 Plan provided for the issuance of up to 13.4 million shares of the Company's Class B Common Stock in connection with the exercise of stock options granted under such plan. No further grants will be made under the 1980 Plan.

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 25 million shares of Class B Common Stock in connection with stock options and other awards granted under such plan. The 1990 Plan authorizes the grant of incentive stock options, non-statutory stock options, stock appreciation rights, stock bonuses and the sale of restricted stock. The exercise price for incentive stock options may not be less than the fair market value of the underlying shares on the date of grant. The exercise price for non-statutory stock options, stock appreciation rights and the purchase price of restricted stock may not be less than 75% of the fair market value of the underlying shares on the date of grant. No consideration will be paid for stock bonuses awarded under the 1990 Plan. 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. As of May 31, 2000, the committee has granted substantially all non-statutory stock options at 100% of fair market value on the date of grant under the 1990 Plan.

During fiscal 2000, the Company granted 0.4 million shares of restricted stock at a market value of \$27.69 per share under the 1990 plan. The shares of stock will remain restricted for three years, subject to partial forfeiture if employment terminates within that period. The value of the restricted shares was established by the market price on the date of grant. Unearned compensation was charged for the market value of the restricted shares. The unearned compensation is shown as a reduction of shareholders' equity and is being amortized ratably over the vesting period. \$1.0 million was charged to selling and administrative expense in fiscal 2000 relating to the grant.

During fiscal 2000, the Company also granted shares of restricted stock under the Long-Term Incentive Plan ("LTIP"), adopted by the Board of Directors and approved by shareholders in September 1997. Under the LTIP, awards are made to certain executives based on performance targets established over varying time periods. Once performance targets are achieved, the shares of stock are issued and remain restricted for an additional three years, subject to forfeiture if the executive's employment terminates within that period. Plan participants are entitled to cash dividends and to vote their respective shares. The value of the restricted shares is established by the market price on the date of grant. Unearned compensation is charged for the market value of the restricted shares. The unearned compensation is shown as a reduction of shareholders' equity and is being amortized ratably over the service and vesting periods. During fiscal 2000, relating to the LTIP, a total of 33,000 restricted shares were issued at an average market value of \$51.06 per share, and \$2.0 million was charged to selling and administrative expense.

In addition to the plans discussed above, the Company has several agreements outside of the plans with certain directors, endorsers and employees. As of May 31, 2000, 8 million options with exercise prices ranging from \$0.417 per share to \$53.625 per share had been granted. The aggregate compensation expense related to these agreements is \$21.3 million and is being amortized over vesting periods from October 1980 through November 2003. The outstanding agreements expire through December 2009.

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," (FAS 123) defines a fair value method of accounting for an employee stock option or similar equity instrument and encourages, but does not require, all entities to adopt that method of accounting. Entities electing not to adopt the fair value method of accounting must make pro forma disclosures of net income and earnings per share, as if the fair value based method of accounting defined in this statement had been applied.

The Company has elected not to adopt the fair value method; however, as required by FAS 123, the Company has computed for pro forma disclosure purposes, the fair value of options granted during fiscal years 2000, 1999 and 1998 using the Black-Scholes option pricing model. The weighted average assumptions used for stock option grants for 2000, 1999 and 1998 were a dividend yield of 1%, expected volatility of the market price of the Company's common stock of 37% for 2000, 34% for 1999 and 32% for 1998, a weighted-average expected life of the options of approximately five years, and interest rates of 5.8%, 6.2% and 6.6% for fiscal 2000, 5.5% and 4.9% for fiscal 1999 and 4.4% and 4.3% for fiscal 1998. These interest rates are reflective of option grant dates throughout the year.

Options were assumed to be exercised over the 5 year expected life for purposes of this valuation. Adjustments for forfeitures are made as they occur. For the years ended May 31, 2000, 1999 and 1998, the total value of the options granted, for which no previous expense has been recognized, was computed as approximately \$129.8 million, \$61.6 million and \$31.9 million, respectively, which would be amortized on a straight line basis over the vesting period of the options. The weighted average fair value per share of the options granted in 2000, 1999 and 1998 are \$15.81, \$17.33 and \$18.54, respectively.

If the Company had accounted for these stock options issued to employees in accordance with FAS 123, the Company's pro forma net income and pro forma net income per share would have been reported as follows:

(in millions, except per share data)

YEAR ENDED MAY 31,	2000			1999			1998		
	NET INCOME	DILUTED EPS	BASIC EPS	NET INCOME	DILUTED EPS	BASIC EPS	NET INCOME	DILUTED EPS	BASIC EPS
As reported	\$579.1	\$2.07	\$2.10	\$451.4	\$1.57	\$1.59	\$399.6	\$1.35	\$1.38
Pro Forma	551.2	1.97	2.00	434.3	1.51	1.53	388.7	1.32	1.35

The pro forma effects of applying FAS 123 may not be representative of the effects on reported net income and earnings per share for future years since options vest over several years and additional awards are made each year.

The following summarizes the stock option transactions under plans discussed above (adjusted for all applicable stock splits):

	SHARES (IN THOUSANDS)	WEIGHTED AVERAGE OPTION PRICE
OPTIONS OUTSTANDING MAY 31, 1997	11,811	\$19.05
Exercised	(2,132)	11.28
Surrendered	(270)	23.50
Granted	1,964	55.83
OPTIONS OUTSTANDING MAY 31, 1998	11,373	26.30
Exercised	(2,665)	15.25
Surrendered	(399)	46.70
Granted	3,556	48.76
OPTIONS OUTSTANDING MAY 31, 1999	11,865	34.97
Exercised	(1,237)	18.23
Surrendered	(852)	52.86
Granted	8,294	40.94
Options outstanding May 31, 2000	18,070	\$38.02
OPTIONS EXERCISABLE AT MAY 31,		
1998	6,826	\$15.98
1999	5,991	22.13
2000	6,655	28.72

The following table sets forth the exercise prices, the number of options outstanding and exercisable, and the remaining contractual lives of the Company's stock options at May 31, 2000:

EXERCISE PRICE	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OF OPTIONS OUTSTANDING (thousands)	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE CONTRACTUAL LIFE REMAINING (yrs)	NUMBER OF OPTIONS EXERCISABLE (thousands)	WEIGHTED AVERAGE EXERCISE PRICE
\$ 7.03 - \$21.00	4,128	\$15.92	3.61	4,124	\$15.91
23.16 - 27.69	4,071	27.58	9.53	104	23.32
28.13 - 48.44	4,847	47.38	7.82	1,757	47.73
48.69 - 54.25	3,616	54.19	9.12	31	52.35
54.50 - 74.88	1,408	59.20	7.35	639	58.91

NOTE 9 - EARNINGS PER SHARE:

The following represents a reconciliation from basic earnings per share to diluted earnings per share. Options to purchase 9.7 million and 3.3 million shares of common stock were outstanding at May 31, 2000 and May 31, 1998, respectively, but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive. No such antidilutive options were outstanding at May 31, 1999.

(in millions, except per share data)

YEAR ENDED MAY 31,	2000	1999	1998
Determination of shares:			
Average common shares outstanding	275.7	283.3	288.7
Assumed conversion of dilutive stock options and awards	3.7	5.0	6.3
Diluted average common shares outstanding	279.4	288.3	295.0
Basic earnings per common share	\$ 2.10	\$ 1.59	\$ 1.38
Diluted earnings per common share	\$ 2.07	\$ 1.57	\$ 1.35

NOTE 10 - BENEFIT PLANS:

The Company has a profit sharing plan available to substantially all employees. The terms of the plan call for annual contributions by the Company as determined by the Board of Directors. Contributions of \$15.7 million, \$12.8 million and \$11.2 million to the plan are included in other expense in the consolidated financial statements for the years ended May 31, 2000, 1999 and 1998, respectively. The Company has a voluntary 401(k) employee savings plan. The Company matches a portion of employee contributions with common stock, vesting that portion over 5 years. Company contributions to the savings plan were \$6.7 million, \$7.4 million and \$8.1 million for the years ended May 31, 2000, 1999 and 1998, respectively, and are included in selling and administrative expenses.

NOTE 11 - OTHER INCOME/EXPENSE, NET:

Included in other income/expense for the years ended May 31, 2000, 1999, and 1998, was interest income of \$13.6 million, \$13.0 million and \$16.5 million, respectively. In addition, included in other income/expense in fiscal 1999 was income of \$15.0 million related to the change in accounting for inventories in the U.S. from the LIFO to the FIFO method. The change was effected in the fourth quarter of fiscal 1999 and was not considered significant to show the cumulative effect or to restate comparable income statements as dictated by Accounting Principles Board Opinion No. 20.

NOTE 12 – COMMITMENTS AND CONTINGENCIES:

The Company leases space for its offices, warehouses and retail stores under leases expiring from one to seventeen years after May 31, 2000. Rent expense aggregated \$145.5 million, \$129.5 million and \$129.6 million for the years ended May 31, 2000, 1999 and 1998, respectively. Amounts of minimum future annual rental commitments under non-cancelable operating leases in each of the five fiscal years 2001 through 2005 are \$121.1 million, \$107.3 million, \$89.0 million, \$69.9 million, \$59.3 million, respectively, and \$299.5 million in later years.

At May 31, 2000, the Company had letters of credit outstanding totaling \$678.2 million. These letters of credit were issued for the purchase of inventory.

Lawsuits arise during the normal course of business. In the opinion of management, none of the pending lawsuits will result in a significant impact on the consolidated results of operations or financial position.

NOTE 13 – RESTRUCTURING CHARGES:

1999 Charge: During fiscal 1999, a \$60.1 million charge was taken to better align the Company's cost structure with expected revenue growth rates. The charge (shown below in tabular format) was primarily for costs of severing employees, including severance packages, lease abandonments and the write down of assets no longer in use. Employees were terminated in Europe, Asia Pacific, and in the United States, and included employees affected by the Company's shift to outsourcing certain of its information technology functions. The original number of employees to be terminated was 1,291. As of May 31, 2000, 56 employees have found positions elsewhere in the Company and 1,143 have left the Company, leaving 92 still to be terminated. Due to the change in the number of employees that will be terminated, \$1.4 million of the reserve has been reversed during the current fiscal year.

Also included in the charge was a \$20.2 million write-off of certain assets related to the change in strategies around the Company's warehouse distribution facilities in the United States.

The remaining accrual balance will be relieved throughout fiscal 2001 as leases expire and severance payments are completed.

Detail of the 1999 restructuring charge is as follows:

(in millions)

DESCRIPTION	CASH/NON-CASH	FY99 RESTRUCTURING CHARGE	FY99 ACTIVITY	RESERVE BALANCE AT 5/31/99	FY00 ACTIVITY	RESERVE BALANCE AT 5/31/00
Elimination of Job Responsibilities		\$ (39.9)	\$ 21.9	\$ (18.0)	\$ 14.5	\$ (3.5)
Severance packages	cash	(28.0)	11.7	(16.3)	12.9	(3.4)
Lease cancellations & commitments	cash	(2.4)	1.6	(0.8)	0.7	(0.1)
Write-down of assets	non-cash	(7.8)	7.8	—	—	—
Other	cash/non-cash	(1.7)	0.8	(0.9)	0.9	—
Change in warehouse distribution strategy		\$ (20.2)	\$ 20.2	—	—	—
Write-down of assets	non-cash	(20.2)	20.2	—	—	—
Effect of foreign currency translation		—	\$ 0.1	\$ 0.1	\$ (0.1)	—
Total		\$ (60.1)	\$ 42.2	\$ (17.9)	\$ 14.4	\$ (3.5)

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.

Employees were terminated from almost all areas of the Company, including marketing, sales and administrative areas. The total number of employees terminated was 1,208, with 1,203 having left the Company as of May 31, 2000.

No increases to the 1998 restructuring charge have been made. A total of \$15 million of the restructuring charge was reversed in fiscal year 1999. During fiscal year 2000 continuing cash payments were made against the reserve liability. In addition, \$1.1 million of the reserve was reversed due to changes in outstanding lease commitments. The remaining accrual will be relieved in early fiscal 2001, as leases expire and severance payments, some of which are paid on a monthly basis, are completed.

Detail of the 1998 restructuring charge is as follows:

(in millions)

DESCRIPTION	CASH/NON-CASH	FY98 RESTRUCTURING CHARGE	FY99 ACTIVITY	RESERVE BALANCE AT 5/31/99	FY00 ACTIVITY	RESERVE BALANCE AT 5/31/00
Elimination of Job Responsibilities Company-Wide		\$ (49.8)	\$ 46.5	\$ (3.3)	\$ 2.7	\$ (0.6)
Severance packages	cash	(29.1)	28.2	(0.9)	0.6	(0.3)
Lease cancellations & commitments	cash	(10.8)	8.4	(2.4)	2.1	(0.3)
Write-down of assets	non-cash	(9.6)	9.6	—	—	—
Other	cash	(0.3)	0.3	—	—	—
Downsizing the Asia Pacific Headquarters In Hong Kong		\$ (13.1)	\$ 13.0	\$ (0.1)	\$ 0.1	—
Severance packages	cash	(4.6)	4.6	—	—	—
Lease cancellations & commitments	cash	(5.5)	5.4	(0.1)	0.1	—
Write-down of assets	non-cash	(3.0)	3.0	—	—	—
Downsizing the Japan Distribution Center		\$ (31.6)	\$ 30.5	\$ (1.1)	\$ 1.1	—
Write-off of assets	non-cash	(12.5)	12.5	—	—	—
Software development costs	cash/non-cash	(19.1)	18.0	(1.1)	1.1	—
Cancellation of Endorsement Contracts	cash	\$ (5.6)	\$ 5.3	\$ (0.3)	\$ 0.1	\$ (0.2)
Exiting Certain Manufacturing Operations at Bauer NIKE Hockey		\$ (22.7)	\$ 21.7	\$ (1.0)	\$ 1.0	—
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)	0.9	(0.7)	0.7	—
Severance packages	cash	(1.2)	0.9	(0.3)	0.3	—
Other		\$ (7.1)	\$ 6.4	\$ (0.7)	\$ 0.7	—
Cash	cash	(0.6)	0.6	—	—	—
Non-cash	non-cash	(6.5)	5.8	(0.7)	0.7	—
Effect of foreign currency translation		—	\$ 0.2	\$ 0.2	\$ (0.2)	—
Total		\$(129.9)	\$123.6	\$ (6.3)	\$ 5.5	\$ (0.8)

NOTE 14 – FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying amounts reflected in the consolidated balance sheet for cash and equivalents and notes payable approximate fair value as reported in the balance sheet due to the short maturities. The fair value of long-term debt is estimated using discounted cash flow analyses, based on the Company's incremental borrowing rates for similar types of borrowing arrangements. The fair value of the Company's long-term debt, including current portion, is approximately \$509.9 million, compared to a carrying value of \$520.4 million at May 31, 2000 and \$384.8 million, compared to a carrying value of \$387.1 million at May 31, 1999. See Note 15 for fair value of derivatives.

NOTE 15 – FINANCIAL RISK MANAGEMENT AND DERIVATIVES:

The purpose of the Company's foreign currency hedging activities is to protect the Company from the risk that the eventual dollar cash flows resulting from the sale and purchase of products in foreign currencies will be adversely affected by changes in exchange rates. In addition, the Company seeks to manage the impact of foreign currency fluctuations related to the repayment of intercompany transactions, including intercompany borrowings. The Company does not hold or issue financial instruments for trading purposes. It is the Company's policy to utilize derivative financial instruments to reduce foreign exchange risks where internal netting strategies cannot be effectively employed. Fluctuations in the value of hedging instruments are offset by fluctuations in the value of the underlying exposures being hedged.

The Company uses forward exchange contracts and purchased options to hedge certain firm purchases and sales commitments and the related receivables and payables, including other third party or intercompany foreign currency transactions, and uses purchased currency options to hedge certain anticipated but not yet firmly committed transactions. All anticipated and firmly committed foreign exchange exposures are expected to be recognized within one year. Cross-currency swaps are used to hedge foreign currency denominated payments related to intercompany loan agreements. Hedged transactions are denominated primarily in European currencies, Japanese yen, Australian dollars and Canadian dollars. Premiums paid on purchased options and any realized gains are included in prepaid expenses or accrued liabilities and recognized in earnings when the underlying transaction is recognized. Deferred option premiums paid, net of realized gains, were \$3.8 million and \$4.0 million at May 31, 2000 and 1999, respectively. Gains and losses related to hedges of firmly committed transactions and the related receivables and payables are deferred and are recognized in income or as adjustments of carrying amounts when the offsetting gains and losses are recognized on the underlying transaction. Net realized and unrealized gains on forward contracts deferred at May 31, 2000 and 1999 were \$42.8 million and \$31.5 million, respectively.

The estimated fair values of derivatives used to hedge the Company's risks will fluctuate over time. The fair value of the forward exchange contracts and cross-currency swaps are estimated by obtaining quoted market prices. The fair value of option contracts is estimated using option pricing models widely used in the financial markets. These fair value amounts should not be viewed in isolation, but rather in relation to the fair values of the underlying hedged transactions and the overall reduction in the Company's exposure to adverse fluctuations in foreign exchange rates. The notional amounts of derivatives summarized below do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of the exposure to the Company through its use of derivatives. The amounts exchanged are calculated on the basis of the notional amounts and the other terms of the derivatives, which relate to interest rates, exchange rates or other financial indices.

The following table presents the aggregate notional principal amounts, carrying values and fair values of the Company's derivative financial instruments outstanding at May 31, 2000 and 1999.

(in millions)

MAY 31,	2000			1999		
	NOTIONAL PRINCIPAL AMOUNTS	CARRYING VALUES	FAIR VALUES	NOTIONAL PRINCIPAL AMOUNTS	CARRYING VALUES	FAIR VALUES
Currency Swaps	\$ 300.0	\$ 72.4	\$ 62.2	\$ 300.0	\$ 44.3	\$ 32.1
Forward Contracts	2,430.5	33.0	62.1	2,206.8	59.1	73.2
Purchased Options	265.4	8.9	5.7	220.0	7.2	3.8
Total	\$2,995.9	\$ 114.3	\$ 130.0	\$2,726.8	\$ 110.6	\$ 109.1

At May 31, 2000 and May 31, 1999, the Company had no contracts outstanding with maturities beyond one year except the currency swaps which have maturity dates consistent with the maturity dates of the related debt. All realized gains/losses deferred at May 31, 2000 will be recognized within one year.

The Company is exposed to credit-related losses in the event of non-performance by counterparties to hedging instruments. The counterparties to derivative transactions are major financial institutions with high investment grade credit ratings and, additionally, counterparties to derivatives three years or greater are AA+ or better rated. However, this does not eliminate the Company's exposure to credit risk with these institutions. This credit risk is generally limited to the unrealized gains in such contracts should any of these counterparties fail to perform as contracted and is immaterial to any one institution at May 31, 2000 and 1999. To manage this risk, the Company has established strict counterparty credit guidelines which are continually monitored and reported to Senior Management according to prescribed guidelines. The Company utilizes a portfolio of financial institutions either headquartered or operating in the same countries the Company conducts its business. As a result, the Company considers the risk of counterparty default to be minimal.

In addition to hedging instruments, the Company is subject to concentrations of credit risk associated with cash and equivalents and accounts receivable. The Company places cash and equivalents with financial institutions with investment grade credit ratings and, by policy, limits the amount of credit exposure to any one financial institution. The Company considers its concentration risk related to accounts receivable to be mitigated by the Company's credit policy, the significance of outstanding balances owed by each individual customer at any point in time and the geographic dispersion of these customers.

NOTE 16 - OPERATING SEGMENTS AND RELATED INFORMATION:

Operating Segments: For subsidiaries participating in NIKE Brand sales activity, the Company's major operating segments are defined by geographic regions. Other Brands as shown below represent activity for non-NIKE brand subsidiaries (Cole Haan Holdings Inc., Bauer NIKE Hockey Inc., and NIKE IHM, Inc.) and are considered immaterial for individual disclosure. Previously, NIKE Team Sports, Inc. (NTS) was included in Other Brands, but is now included in the USA region. NTS information and certain other prior year segment information has been reclassified to conform with current year presentation. Where applicable, "Corporate" represents items necessary to reconcile to the consolidated financial statements; these items generally include corporate activity and corporate eliminations. The segments are evidence of the structure of the enterprise's internal organization. Each NIKE Brand geographic segment operates predominantly in one industry: the design, production, marketing and selling of sports and fitness footwear, apparel, and equipment.

Net revenues as shown below represent sales to external customers for each segment. Intercompany revenues have been eliminated and are immaterial for separate disclosure. The Company centrally manages interest expense and interest income. Operating segment interest is primarily the result of intercompany lending, which is eliminated for consolidated purposes. The

Company evaluates performance of individual operating segments based on Contribution Profit before Corporate Allocations, Interest Expense and Income Taxes. On a consolidated basis, this amount represents Income Before Taxes less Interest Expense as shown in the Consolidated Statement of Income. Other reconciling items for Contribution Profit represent corporate costs that are not allocated to the operating segments for management reporting and intercompany eliminations for specific income statement items.

Additions to long-lived assets predominantly represent capital expenditures, which are shown below by operating segment. At the start of fiscal year 1999, certain corporate costs, assets and liabilities were segregated from the U.S. region. Therefore, breakout of capital expenditures and depreciation activity between the United States and Corporate is not available for fiscal year 1998.

Other additions to long-lived assets represent additions to identifiable intangibles and goodwill, which are immaterial for disclosure. Amortization of identifiable intangible assets and goodwill is considered a corporate expense and is not attributable to any specific operating segment. See Note 1 for further discussion on identifiable intangible assets and goodwill.

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

(in millions)

YEAR ENDED MAY 31,	2000	1999	1998
NET REVENUE			
United States	\$4,732.1	\$4,750.7	\$5,173.1
Europe	2,350.9	2,255.8	2,096.1
Asia	955.1	844.5	1,253.9
Americas	550.2	507.1	599.0
Other brands	406.8	418.8	431.0
	\$8,995.1	\$8,776.9	\$9,553.1
CONTRIBUTION PROFIT			
United States	\$ 949.8	\$ 879.6	\$ 978.9
Europe	410.6	338.4	281.2
Asia	156.0	78.8	(26.8)
Americas	75.8	57.6	110.6
Other brands	74.5	25.1	(13.3)
Corporate	(702.5)	(589.3)	(617.6)
	\$ 964.2	\$ 790.2	\$ 713.0
CAPITAL EXPENDITURES			
United States	\$ 29.0	\$ 50.1	
Corporate	146.8	161.7	
United States and Corporate	\$ 175.8	\$ 211.8	\$ 248.0
Europe	45.3	87.7	121.0
Asia	269.7	43.7	103.5
Americas	5.6	12.5	12.6
Other brands	32.4	28.4	20.8
	\$ 528.8	\$ 384.1	\$ 505.9

Continued on next page

Continued from previous page

(in millions)

YEAR ENDED MAY 31,	2000	1999	1998
DEPRECIATION			
United States	\$ 50.8	\$ 22.8	
Corporate	47.1	73.3	
United States and Corporate	\$ 97.9	\$ 96.1	\$ 97.7
Europe	39.9	40.6	37.8
Asia	19.4	20.8	23.4
Americas	7.1	6.8	4.7
Other brands	23.7	33.9	20.9
	\$ 188.0	\$ 198.2	\$ 184.5
ACCOUNTS RECEIVABLE, NET			
United States	\$ 564.7	\$ 578.6	\$ 721.5
Europe	523.0	551.6	531.9
Asia	200.8	141.5	165.9
Americas	129.9	119.2	125.5
Other brands	121.0	104.6	105.0
Corporate	27.8	44.6	24.6
	\$ 1,567.2	\$ 1,540.1	\$ 1,674.4
INVENTORY, NET			
United States	\$ 733.3	\$ 523.0	\$ 568.9
Europe	347.8	316.3	424.5
Asia	115.9	81.5	118.5
Americas	75.1	73.1	79.9
Other brands	141.4	137.5	177.8
Corporate	32.5	39.2	27.0
	\$ 1,446.0	\$ 1,170.6	\$ 1,396.6
PROPERTY, PLANT, AND EQUIPMENT, NET			
United States	\$ 269.0	\$ 293.0	\$ 324.6
Europe	239.3	271.4	244.8
Asia	426.4	148.0	143.4
Americas	19.3	21.5	16.9
Other brands	114.4	111.7	117.2
Corporate	515.0	420.2	306.2
	\$ 1,583.4	\$ 1,265.8	\$ 1,153.1

Revenues by Major Product Lines: Revenues to external customers for NIKE Brand products are attributable to sales of Footwear, Apparel, and Equipment & Other NIKE Brand. Revenues to external customers for Other Brands include external sales by the non-NIKE brand subsidiaries.

(in millions)

YEAR ENDED MAY 31,	2000	1999	1998
Footwear	\$5,561.5	\$5,218.4	\$5,959.0
Apparel	2,698.6	2,822.9	2,885.7
Equipment	328.2	316.8	277.4
Other brands	406.8	418.8	431.0
	\$8,995.1	\$8,776.9	\$9,553.1

Revenues and long-lived assets by geographic area: Geographical area information is similar to that shown previously under operating segments with the exception that Other Brand activity is derived predominantly from activity in the U.S. and Americas. Revenues derived in the U.S. were \$5,017.4 million, \$5,042.6 million, and \$5,460.0 million during the years ended May 31, 2000, 1999, and 1998, respectively. Long-lived assets, which are comprised of net property, plant & equipment and net identifiable assets and goodwill, attributable to operations in the U.S. were \$1,222.5 million, \$1,112.3 million, and \$1,071.8 million at May 31, 2000, 1999, and 1998, respectively.

Major customers: During 2000, 1999, and 1998, revenues derived from one customer represented 11.0%, 10.3% and 10.7%, respectively of the Company's consolidated revenues. Sales to this customer are included in all segments of the Company.