

NORDSTROM

Nordstrom Reports First Quarter Earnings Per Share of 48 Cents

May 18, 2006

SEATTLE, May 18 /PRNewswire-FirstCall/ -- Nordstrom, Inc. (NYSE: JWN) today reported net earnings of \$131.2 million, or \$0.48 per diluted share, for the first quarter ended April 29, 2006. For the same period last year, net earnings and earnings per diluted share were \$104.5 million and \$0.38, respectively.

(Logo: <http://www.newscom.com/cgi-bin/prnh/20001011/NORDLOGO>)

Total sales for the first quarter of 2006 increased 8.0 percent to \$1.8 billion, compared to sales of \$1.7 billion in the same period last year. First quarter same-store sales increased 5.4 percent.

FIRST QUARTER HIGHLIGHTS

Net earnings increased 25.5 percent in the first quarter compared to the same quarter last year, reflecting continued progress in merchandise execution, inventory management and expense control. The company remains committed to providing a superior shopping experience and achieving long-term profitable growth.

-- Same-store sales increased 5.4 percent for the quarter, higher than the company's one to three percent same-store sales guidance. Merchandise divisions with performance above the company's average were accessories, cosmetics and men's apparel.

-- Gross profit, as a percent of sales, increased 40 basis points. Better than plan sales resulted in incremental leverage on buying and occupancy expenses, while overall merchandise margin remained flat versus last year.

-- The same-store sales increase combined with expense control resulted in a 48 basis point reduction in selling, general and administrative expenses on a percent to sales basis. For the quarter, fixed expenses were maintained at or below budgeted levels.

-- We adopted SFAS No. 123(R), "Share-Based Payment," and as a result we recorded compensation expense of \$2.7 million in buying and occupancy costs and \$4.4 million in selling, general and administrative expenses.

EXPANSION UPDATE

During the first quarter Nordstrom opened one full-line store in Palm Beach Gardens, Florida at the Gardens Mall on March 10th.

SHARE REPURCHASE

Nordstrom repurchased approximately 5.3 million shares of its common stock during the first quarter for \$212.9 million. This reduction in weighted-average shares outstanding had no material impact on diluted earnings per share for the quarter.

QUARTERLY DIVIDEND

The company's board of directors has approved a quarterly dividend of \$0.105 per share, payable on June 15, 2006, to shareholders of record on May 31, 2006.

2006 OUTLOOK

For the fiscal year ending February 3, 2007, the company anticipates diluted earnings per share in the range of \$2.24 to \$2.32, which includes an estimated expense of \$0.06 per diluted share from the adoption of SFAS No. 123(R) regarding expensing of stock options. For the second quarter, the company expects low single digit same-store sales growth and earnings per share in the range of \$0.59 to \$0.64.

CONFERENCE CALL INFORMATION:

Company management will be hosting a conference call and webcast to discuss first quarter results at 4:15 p.m. (ET) today. Access to the conference call is open to the press and general public in a listen only mode. To participate, please dial 212-547-0138 ten minutes prior to the call (passcode: NORD). A telephone replay will be available for 48 hours beginning approximately one hour after the conclusion of the call by dialing 866-463-4967. Interested parties may also access the call over the Internet by visiting the Investor Relations section of the company's corporate website at <http://about.nordstrom.com/aboutus/investor/webcasts.asp>. An archived version of the webcast will be available at this location for 30 days.

Nordstrom, Inc. is one of the nation's leading fashion specialty retailers, with 156 US stores located in 27 states. Founded in 1901 as a shoe store in Seattle, today Nordstrom operates 99 full-line stores, 49 Nordstrom Racks, five Faconnable boutiques, one free-standing shoe store, and two clearance stores. Nordstrom also operates 34 international Faconnable boutiques in Europe. Additionally, Nordstrom serves customers through its online presence at <http://www.nordstrom.com> and through its catalogs. Nordstrom, Inc. is publicly traded on the NYSE under the symbol JWN.

Certain statements in this news release contain "forward-looking" information (as defined in the Private Securities Litigation Reform Act of 1995) that involves risks and uncertainties, including anticipated results for the fiscal year ending February 3, 2007 and the second quarter, store openings and trends in company operations. Actual future results and trends may differ materially from historical results or current expectations depending upon factors including, but not limited to, the impact of economic and competitive market forces, the impact of terrorist activity or the impact of a war on the company, its customers and the retail industry, the company's ability to predict fashion trends, consumer apparel buying patterns, trends in personal bankruptcies and bad debt write-offs, changes in interest rates, employee relations, the company's ability to continue its expansion plans, changes in

government or regulatory requirements, the company's ability to control costs, weather conditions and hazards of nature. Our SEC reports, including our Form 10-K for the fiscal year ended January 28, 2006 and our Form 10-Q for the quarter ended April 29, 2006 to be filed with the SEC, contain other information on these and other factors that could affect our financial results and cause actual results to differ materially from any forward-looking information we may provide. The company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events, new information or future circumstances.

NORDSTROM, INC.

CONSOLIDATED STATEMENTS OF EARNINGS - 1st Quarter

(unaudited; amounts in thousands, except per share data and percentages)

	Quarter ended 4/29/06	% of sales(1) (except as indicated)	Quarter ended 4/30/05	% of sales(1) (except as indicated)
Net sales	\$1,787,223	100.0%	\$1,654,474	100.0%
Cost of sales and related buying & occupancy costs	(1,123,003)	(62.8%)	(1,046,165)	(63.2%)
Gross profit	664,220	37.2%	608,309	36.8%
Selling, general and administrative expenses	(494,220)	(27.7%)	(465,422)	(28.1%)
Operating income	170,000	9.5%	142,887	8.6%
Interest expense, net	(10,751)	(0.6%)	(12,639)	(0.8%)
Other income including finance charges, net	53,838	3.0%	42,732	2.6%
Earnings before income tax expense	213,087	11.9%	172,980	10.5%
Income tax expense	(81,856)	(38.4%)(2)	(68,442)	(39.6%)(2)
Net earnings	\$131,231	7.3%	\$104,538	6.3%
Earnings per share				
Basic	\$0.49		\$0.38	
Diluted	\$0.48		\$0.38	

ADDITIONAL DATA

Weighted average shares outstanding

Basic	267,490	273,070
Diluted	272,831	278,395

(1) Subtotals and totals may not foot due to rounding.

(2) Percent of earnings before income taxes.

NORDSTROM, INC.

CONSOLIDATED BALANCE SHEETS

(unaudited; amounts in thousands)

	4/29/06	1/28/06	4/30/05
Assets			
Current assets:			
Cash and cash equivalents	\$261,326	\$462,656	\$315,695
Short-term investments	30,000	54,000	53,750
Accounts receivable, net	619,095	639,558	629,788
Investment in asset backed securities	565,854	561,136	427,302
Merchandise inventories	1,078,750	955,978	1,016,640
Current deferred tax assets	161,001	145,470	114,127
Prepaid expenses and other	56,982	55,359	53,934
Total current assets	2,773,008	2,874,157	2,611,236
Land, buildings and equipment, net	1,748,399	1,773,871	1,763,766
Goodwill	51,714	51,714	51,714
Acquired tradename	84,000	84,000	84,000
Other assets	129,518	137,607	108,891
Total assets	\$4,786,639	\$4,921,349	\$4,619,607

Liabilities and Shareholders' Equity

Current liabilities:

Accounts payable	\$638,983	\$540,019	\$582,381
Accrued salaries, wages and related benefits	174,300	285,982	172,167
Other current liabilities	372,446	409,076	336,246
Income taxes payable	59,978	81,617	45,181
Current portion of long-term debt	306,636	306,618	100,458
Total current liabilities	1,552,343	1,623,312	1,236,433
Long-term debt, net	624,949	627,776	928,175
Deferred property incentives, net	361,446	364,382	357,694
Other liabilities	219,477	213,198	204,353

Shareholders' equity:

Common stock, no par value: 1,000,000 shares authorized; 265,741, 269,549 and 273,265 shares issued and outstanding	733,663	685,934	619,640
Unearned stock compensation	--	(327)	(593)
Retained earnings	1,294,351	1,404,366	1,266,337
Accumulated other comprehensive earnings	410	2,708	7,568
Total shareholders' equity	2,028,424	2,092,681	1,892,952
Total liabilities and shareholders' equity	\$4,786,639	\$4,921,349	\$4,619,607

NORDSTROM, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited; amounts in thousands)

Quarter Quarter
Ended Ended
4/29/06 4/30/05

Operating Activities

Net earnings	\$131,231	\$104,538
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of buildings and equipment	70,425	69,204
Amortization of deferred property incentives and other, net	(8,677)	(6,903)
Stock-based compensation expense	7,336	1,428
Deferred income taxes, net	(7,395)	19,610
Tax benefit of stock option exercises and employee stock purchases	13,538	16,546
Excess tax benefits from stock-based payments	(11,617)	--
Provision for bad debt	2,650	5,118
Change in operating assets and liabilities:		
Accounts receivable	17,834	10,578
Investment in asset backed securities	(7,927)	(9,210)
Merchandise inventories	(109,648)	(99,065)
Prepaid expenses	(1,410)	666
Other assets	(572)	409
Accounts payable	91,905	97,507
Accrued salaries, wages and related benefits	(111,343)	(118,548)
Other current liabilities	(34,126)	(20,781)
Income taxes payable	(21,639)	(46,971)
Property incentives	3,826	9,839
Other liabilities	4,360	7,237
Net cash provided by operating activities	28,751	41,202

Investing Activities

Capital expenditures	(47,513)	(53,021)
Proceeds from sale of assets	18	--
Purchases of short-term investments	(100,000)	(165,500)

Sales of short-term investments	124,000	153,575
Other, net	(1,941)	(691)
Net cash used in investing activities	(25,436)	(65,637)
Financing Activities		
Principal payments on long-term debt	(1,124)	(1,021)
Decrease in cash book overdrafts	(1,807)	(3,756)
Proceeds from exercise of stock options	18,657	39,139
Proceeds from employee stock purchase plan	8,370	8,640
Excess tax benefits from stock-based payments	11,617	--
Cash dividends paid	(28,326)	(17,758)
Repurchase of common stock	(212,920)	(47,746)
Other, net	888	2,009
Net cash used in financing activities	(204,645)	(20,493)
Net decrease in cash and cash equivalents	(201,330)	(44,928)
Cash and cash equivalents at beginning of period	462,656	360,623
Cash and cash equivalents at end of period	\$261,326	\$315,695

SOURCE

Nordstrom, Inc.
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