

# NORDSTROM

## Nordstrom Reports Fourth Quarter Earnings Per Share Increase of 29 Percent

February 26, 2007

SEATTLE, Feb. 26 /PRNewswire-FirstCall/ -- Nordstrom, Inc. (NYSE: JWN) today reported net earnings of \$232.3 million, or \$0.89 per diluted share, for the fourth quarter ended February 3, 2007. For the same period last year, net earnings and earnings per diluted share were \$190.4 million and \$0.69, respectively.

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

Total sales for the fourth quarter of 2006 increased 14.6 percent, to \$2.6 billion, compared to sales of \$2.3 billion in the same period last year. Same-store sales increased 8.3 percent. Similar to many other retailers, Nordstrom follows the retail 4-5-4 reporting calendar, which included an extra week in the fourth quarter of fiscal 2006 (the 53rd week). In the 53rd week, the company had sales of \$117.7 million. Sales for the 53rd week represented 5.1 percentage points of the total sales percent increase versus the prior year. The 53rd week is not included in same-store sales calculations.

### Fourth Quarter Highlights

Earnings per diluted share in the fourth quarter increased 29 percent compared to the same quarter last year, reflecting strong sales momentum primarily due to the company's improved execution of its merchandising strategy. This growth in earnings per diluted share occurred on top of last year's 38 percent increase in the fourth quarter. The company continues to focus on providing customers with compelling merchandise and service in its full-line, Rack and online stores.

- Same-store sales increased 8.3 percent for the quarter, exceeding the company's one to three percent same-store sales plan. Strong regular price sales across all major merchandise categories throughout the quarter and a successful holiday season drove the sales increase.
- Gross profit, as a percent of sales, increased 81 basis points over the fourth quarter fiscal 2005 result. Merchandise margin improved versus the prior year, driven mainly by lower markdowns and higher sell-through of inventory, especially in women's apparel.
- Selling, general and administrative expenses as a percent to sales decreased 20 basis points versus the prior year. Overall, expenses during the fourth quarter trended in line with the improved performance in sales and gross profit compared to last year. In the fourth quarter, performance-based incentive compensation costs driven by goals for total year results and share price appreciation accelerated above plan, as fiscal 2006 sales, gross profit, and earnings before tax results exceeded expectations.
- As a result of the adoption of SFAS No. 123(R), "Share-Based Payment," the company recorded \$8.4 million in share-based compensation expense for the quarter, which resulted in a \$0.02 impact on diluted earnings per share. Of the total expense, \$3.6 million was recorded in buying and occupancy and \$4.8 million was recorded in selling, general and administrative expenses.
- Sales of \$117.7 million in the 53rd week period resulted in earnings of \$0.02 per diluted share for the quarter.

### Full Year Results

For the fiscal year ended February 3, 2007, net earnings increased 23 percent to \$678.0 million compared to net earnings of \$551.3 million last year. Earnings per diluted share for the same periods were \$2.55 and \$1.98, respectively.

Total sales for the year increased 10.8 percent to \$8.6 billion compared to prior year sales of \$7.7 billion, with sales for the 53rd week representing 1.5 percentage points of the total increase versus last year. As noted previously, same-store sales calculations do not include the 53rd week. For the year, same-store sales increased 7.5 percent.

### Expansion Update

Nordstrom opened a new 35,000-square-foot Nordstrom Rack store at Grand Plaza in San Marcos, Calif., on November 16, 2006. In 2007, Nordstrom plans to open three new full-line stores:

- On September 7, 2007, a 144,000-square-foot store at the Natick Mall in Natick, Mass.;
- On September 28, 2007, a 165,000-square-foot store at the Twelve Oaks Mall in Novi, Mich.;
- On October 19, 2007, a 140,000-square foot-store in the Cherry Creek Mall in Denver, Colo.

In the fall of 2007, Nordstrom plans to open a new Rack store at Southcenter Square in Tukwila, Wash.

### Share Repurchase

Nordstrom repurchased approximately 0.5 million shares of its common stock during the fourth quarter for \$26.0 million. This reduction in weighted average shares outstanding had no material effect on diluted earnings per share for the quarter.

### 2007 outlook

The company is providing the following 2007 forecast:

	Full-Year 2007
Full-Year 2007	Adjusted for comparability

Same-store Sales	3% to 4%	3% to 4%
Gross Profit (%)	30 to 40 basis point increase	30 to 40 basis point increase
Selling, General and Admin. Expense (%)	5 to 15 basis point increase	35 to 45 basis point decrease
Interest Expense	Flat	\$20 to \$25 million decrease
Other Income including Finance Charges	\$25 to \$35 million increase	Flat
Effective Tax Rate	38.5%	38.5%
Earnings per Diluted Share	\$2.78 to \$2.84	\$2.86 to \$2.92
Diluted Shares Outstanding	261 million	261 million
Prior Year Earnings per Diluted Share	\$2.55	\$2.55

Notes on comparability of fiscal year 2007 to 2006:

- The 53rd week in fiscal 2006 creates a timing shift in the 4-5-4 calendar for fiscal 2007. The months of fiscal 2007 begin and end one week later than in fiscal 2006. Our same-store sales reporting basis compares weeks 1 through 52 for both years, excluding the 53rd week of 2006. This timing shift is anticipated to impact the cadence of monthly same-store sales results throughout the year, as many normal sales trends, events and holiday periods are aligned differently than last year.
- The company expects to complete an \$800 to \$900 million securitization transaction backed by the company's co-branded Visa receivables in the first quarter of fiscal 2007. With that securitization transaction, we begin a new accounting treatment for the co-branded Visa receivables and debt secured by those receivables. The co-branded Visa receivables will be recorded on the balance sheet initially at fair value with no allowance for credit losses. Normal write-offs for uncollectible Visa receivables, estimated at \$19 million along with other costs net at \$4 million, will be recorded in Other Income and Expenses over the eight month period following the transaction. This period is equal to the average repayment life of the acquired receivables. This activity will impact annual earnings per diluted share by \$0.05.
- Also as a result of the securitization transaction, income and expenses from our co-branded Visa receivables that were previously reported net in Other Income and Expenses (under securitization accounting guidance) will be reclassified in our earnings statement. Bad debt and write-off expense is expected to increase approximately \$25 to \$35 million and impact the SG&A rate by 30 to 40 basis points. Interest expense, partially offset by interest income, will increase approximately \$20 to \$25 million. Other income including finance charges will increase \$45 to \$55 million. The offsetting combination of these expenses and income is not anticipated to impact annual earnings per diluted share.
- Pre-opening costs for new stores in fiscal 2007 and 2008 will incrementally increase general and administrative costs by approximately \$12 million in fiscal 2007. These expenses are projected to impact the SG&A rate by approximately 15 basis points and earnings per diluted share by \$0.03.

For the first quarter of 2007, the company expects mid-single digit same-store sales growth. Due to the one week timing shift in 2007 caused by the 53rd week of 2006, same-store sales are expected to vary monthly versus the planned quarterly rate as follows: in line in February, above in March, and below in April. Earnings per diluted share for the first quarter are expected in the range of \$0.51 to \$0.54, including a \$0.02 impact from the first quarter portion of incremental expenses associated with the securitization transaction described in the notes above.

Conference Call Information:

Company management will be hosting a conference call and webcast to discuss fourth quarter and annual results at 4:30 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 866-448- 4802. Interested parties may also access the call over the Internet by visiting the Investor Relations section of the company's corporate Web site 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 155 US stores located in 27 states. Founded in 1901 as a shoe store in Seattle, today Nordstrom operates 98 full-line stores, 50 Nordstrom Racks, four Faconnable boutiques in the United States, one free-standing shoe store, and two clearance stores. Nordstrom also operates 36 Faconnable boutiques in Europe. In addition, 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 2, 2008, and its first 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, the timely completion of construction associated with newly planned stores, 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-K for the fiscal year ended February 3, 2007, to be filed with the SEC on or about March 23, 2007, 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.

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NORDSTROM, INC.

CONSOLIDATED STATEMENTS OF EARNINGS - 4th Quarter

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

	Quarter ended 2/3/07	% of sales(1) (except as indicated)	Quarter ended 1/28/06	% of sales(1) (except as indicated)
Net sales	\$2,630,904	100.0%	\$2,295,818	100.0%
Cost of sales and related buying & occupancy costs	(1,624,190)	(61.7%)	(1,435,891)	(62.5%)
Gross profit	1,006,714	38.3%	859,927	37.5%
Selling, general and administrative expenses	(684,881)	(26.0%)	(602,280)	(26.2%)
Operating income	321,833	12.2%	257,647	11.2%
Interest expense, net	(7,805)	(0.3%)	(11,509)	(0.5%)
Other income including finance charges, net	65,017	2.5%	61,302	2.7%
Earnings before income tax expense	379,045	14.4%	307,440	13.4%
Income tax expense	(146,704)	(38.7%)(2)	(117,010)	(38.1%)(2)
Net earnings	\$ 232,341	8.8%	\$190,430	8.3%
Earnings per share				
Basic	\$0.90		\$0.71	
Diluted	\$0.89		\$0.69	

ADDITIONAL DATA

Weighted average shares outstanding		
Basic	257,259	269,783
Diluted	262,230	275,662

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

(2) Percent of earnings before income tax expense.

NORDSTROM, INC.

CONSOLIDATED STATEMENTS OF EARNINGS - Year to Date

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

	Year ended 2/3/07	% of sales(1) (except as indicated)	Year ended 1/28/06	% of sales(1) (except as indicated)
Net sales	\$ 8,560,698	100.0%	\$ 7,722,860	100.0%
Cost of sales and related buying & occupancy costs	(5,353,949)	(62.5%)	(4,888,023)	(63.3%)
Gross profit	3,206,749	37.5%	2,834,837	36.7%
Selling, general and administrative expenses	(2,296,863)	(26.8%)	(2,100,666)	(27.2%)
Operating income	909,886	10.6%	734,171	9.5%
Interest expense, net	(42,758)	(0.5%)	(45,300)	(0.6%)
Other income including finance charges, net	238,525	2.8%	196,354	2.5%
Earnings before income tax expense	1,105,653	12.9%	885,225	11.5%
Income tax expense	(427,654)	(38.7%)(2)	(333,886)	(37.7%)(2)
Net earnings	\$ 677,999	7.9%	\$ 551,339	7.1%
Earnings per share				
Basic	\$2.60		\$2.03	
Diluted	\$2.55		\$1.98	

#### ADDITIONAL DATA

Weighted average shares outstanding		
Basic	260,689	271,958
Diluted	265,712	277,776

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

(2) Percent of earnings before income tax expense.

#### NORDSTROM, INC. CONSOLIDATED BALANCE SHEETS (unaudited; amounts in thousands)

	2/3/07	1/28/06
Assets		
Current assets:		
Cash and cash equivalents	\$402,559	\$462,656
Short-term investments	-	54,000
Accounts receivable, net	684,376	639,558
Investment in asset backed securities	428,175	561,136
Merchandise inventories	997,289	955,978
Current deferred tax assets, net	169,320	145,470
Prepaid expenses and other	60,474	55,359
Total current assets	2,742,193	2,874,157
Land, buildings and equipment, net	1,757,215	1,773,871
Goodwill	51,714	51,714
Acquired tradename	84,000	84,000
Other assets	186,456	137,607
Total assets	\$ 4,821,578	\$ 4,921,349

#### Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable	\$576,796	\$540,019
Accrued salaries, wages and related benefits	339,965	285,982
Other current liabilities	433,487	409,076

Income taxes payable	76,095	81,617
Current portion of long-term debt	6,800	306,618
Total current liabilities	1,433,143	1,623,312
Long-term debt, net	623,652	627,776
Deferred property incentives, net	356,062	364,382
Other liabilities	240,200	213,198
Shareholders' equity:		
Common stock, no par value: 1,000,000 shares authorized; 257,313 and 269,549 shares issued and outstanding	826,421	685,934
Unearned stock compensation	-	(327)
Retained earnings	1,350,680	1,404,366
Accumulated other comprehensive (loss) earnings	(8,580)	2,708
Total shareholders' equity	2,168,521	2,092,681
Total liabilities and shareholders' equity	\$4,821,578	\$4,921,349

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

	Year ended	Year ended
Operating Activities	2/3/07	1/28/06
Net earnings	\$677,999	\$551,339
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of buildings and equipment	284,520	276,328
Amortization of deferred property incentives and other, net	(36,293)	(33,350)
Stock-based compensation expense	37,362	13,285
Deferred income taxes, net	(58,274)	(11,238)
Tax benefit of stock-based payments	43,552	41,092
Excess tax benefit from stock-based payments	(38,293)	-
Provision for bad debt expense	17,064	20,918
Change in operating assets and liabilities:		
Accounts receivable	(61,301)	(15,140)
Investment in asset backed securities	127,984	(135,790)
Merchandise inventories	(38,649)	(20,804)
Prepaid expenses	(4,723)	(1,035)
Other assets	(7,661)	(3,473)
Accounts payable	84,291	31,721
Accrued salaries, wages and related benefits	48,719	(11,284)
Other current liabilities	23,533	38,755
Income taxes payable	(5,522)	(33,877)
Deferred property incentives	30,723	49,480
Other liabilities	17,334	19,305
Net cash provided by operating activities	1,142,365	776,232
Investing Activities		
Capital expenditures	(264,437)	(271,659)
Proceeds from sale of assets	224	107
Purchases of short-term investments	(109,550)	(542,925)
Sales of short-term investments	163,550	530,750
Other, net	(8,067)	(8,366)
Net cash used in investing activities	(218,280)	(292,093)
Financing Activities		
Principal payments on long-term debt	(307,559)	(101,047)
(Decrease) increase in cash book overdrafts	(50,853)	4,946
Proceeds from exercise of stock options	50,900	73,023

Proceeds from employee stock purchase plan	16,300	15,600
Excess tax benefit from stock-based payments	38,293	-
Cash dividends paid	(110,158)	(87,196)
Repurchase of common stock	(621,527)	(287,080)
Other, net	422	(352)
Net cash used in financing activities	(984,182)	(382,106)
Net (decrease) increase in cash and cash equivalents	(60,097)	102,033
Cash and cash equivalents at beginning of year	462,656	360,623
Cash and cash equivalents at end of year	\$ 402,559	\$ 462,656

SOURCE Nordstrom, Inc.

02/26/2007

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Photo: NewsCom: <http://www.newscom.com/cgi-bin/prnh/20001011/NORDLOGO>

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