

# NORDSTROM

## Nordstrom Reports First Quarter Earnings Per Share Increase of 24 Percent

May 17, 2007

SEATTLE, May 17 /PRNewswire-FirstCall/ -- Nordstrom, Inc. (NYSE: JWN) today reported net earnings of \$156.8 million, or \$0.60 per diluted share, for the first quarter ended May 5, 2007. For the same period last year ended April 29, 2006, net earnings and earnings per diluted share were \$131.2 million and \$0.48, respectively.

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

Total sales in the first quarter were \$1.95 billion and increased 9.3 percent compared to sales of \$1.79 billion during the same period in fiscal 2006. First quarter same-store sales increased 9.5 percent.

The 53rd week in fiscal 2006 created a timing shift in the 4-5-4 calendar for fiscal 2007, which has 52 weeks. The first quarter in fiscal 2007 began and ended one week later than fiscal 2006. This timing shift positively impacted sales results for the first quarter of 2007.

### FIRST QUARTER HIGHLIGHTS

Earnings per diluted share in the first quarter increased 24 percent compared to the same quarter last year. Continued improvement in the company's execution of its merchandising strategy resulted in sales growth which contributed to profit margin expansion.

\* Same-store sales increased 9.5 percent for the quarter, exceeding the company's mid-single digit same-store sales plan. Strong regular price sales across all major merchandise categories drove the sales increase, as customers responded favorably to spring season fashion merchandise throughout the quarter. Merchandise categories with performance above the full-line store average for the quarter were designer apparel, accessories, and women's apparel. Sales momentum in our online store continued to be strong, as same-store sales results exceeded our mid-teen planned growth rate.

\* Gross profit, as a percent of sales, increased 66 basis points compared to last year's first quarter result. Sales leverage on fixed costs in buying and occupancy expenses primarily contributed to gross profit rate expansion, along with improved merchandise margin across categories.

\* Selling, general and administrative expenses as a percent to sales decreased 32 basis points versus the prior year. Overall, fixed expenses during the first quarter performed in-line with plans. In addition, the company recorded one-time expenses of approximately \$4 million over plan related to the launch of our new fashion rewards program. Existing credit customers whose 2006 purchases in our stores qualified them for upper-tier level status have been granted reward benefits that they may redeem immediately. These expenses impacted the SG&A rate for the first quarter by 20 basis points and earnings per diluted share by \$0.01.

### SECURITIZATION TRANSACTION

The company completed an \$850 million securitization transaction backed by the company's co-branded Visa and private label receivables at the end of the first quarter of fiscal 2007. As part of the transaction, \$350 million in off-balance sheet debt was retired. Separately, we repaid \$200 million in off-balance sheet notes that matured during the quarter.

### EXPANSION UPDATE

The company recently announced its plans to open a new Nordstrom store at University Town Center in Sarasota, Fla. The two-level store will be 138,000 square feet and is scheduled to open in fall 2010.

Also, the company recently announced plans to open a 35,000-square-foot Rack store at Park Lane in Dallas. The Park Lane Rack will be the company's third Rack store in Texas and is scheduled to open in fall 2008.

### 2007 OUTLOOK

For the fiscal year ending February 2, 2008, the company anticipates earnings per diluted share in the range of \$2.81 to \$2.90, increased from the previous range of \$2.78 to \$2.84. Our outlook includes consideration for the effects of the timing shift in the 2007 4-5-4 calendar, the company's securitization transaction backed by the co-branded Visa and private label receivables, and other non-comparable items. Outlined in the table below are the anticipated relative effects on diluted earnings per share from non-comparable items expected for the remaining quarters of the 2007 fiscal year.

Updated full-year 2007 operating plan:

	Fiscal 2007
Same-store Sales	3% to 4% increase
Gross Profit (%)	35 to 45 basis point increase
Selling, General and Admin. Expense (%)	5 to 15 basis point decrease
Interest Expense, net	Flat
Other Income including Finance Charges	\$20 to \$30 million increase
Effective Tax Rate	38.5%
Earnings per Diluted Share	\$2.81 to \$2.90
Diluted Shares Outstanding	261 million

Prior Year Earnings per Diluted Share \$2.55

Actual and planned performance for the quarters of fiscal 2007:

First Quarter (Actual)	Second Quarter (Plan)	Third Quarter (Plan)	Fourth Quarter (Plan)	Fiscal 2007 (Plan)
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Same-store sales: 9.5% 1% to 2% 4% to 5% 2% to 3% 3% to 4%

Earnings per  
diluted share:

(a.) Expected  
results from  
comparable  
operations:

\$0.59	\$0.70 to	\$0.59 to	\$1.03 to	\$2.91 to
\$0.73	\$0.62	\$1.06	\$3.00	

(b.) Impact  
of including  
non-comparable  
events:

1. Securitization

transaction(1)	(\$0.01)	(\$0.03)	(\$0.02)	(\$0.01)	(\$0.06)
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2. 53rd week

timing shift

& calendar	\$0.02	(\$0.03)	\$0.03	(\$0.02)	-
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3. 2006 Visa /

MasterCard

settlement	-	(\$0.02)	-	-	(\$0.02)
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4. 2006 53rd

week results	-	-	-	(\$0.02)	(\$0.02)
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Reported results

(combine a+b

above)	\$0.60	\$0.62 to	\$0.61 to	\$0.98 to	\$2.81 to
	\$0.65	\$0.64	\$1.01	\$2.90	

(1) Notes on the \$850 million securitization transaction:

- \* With the completion of the securitization transaction, the company began a new accounting treatment for the co-branded Visa receivables and securitized debt, which is secured by both the co-branded Visa and private label receivables. In the first quarter, pre-existing co-branded Visa receivables totaling \$943 million were recorded on the balance sheet initially at fair value with no allowance for credit losses. Normal write-offs for uncollectible Visa receivables and other costs net, estimated at \$20 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 expense activity is expected to reduce annual earnings per diluted share by \$0.05 and will be non-recurring in future periods beyond the 2007 fiscal year.
- \* Income and expenses from our co-branded Visa receivables that were previously reported net in Other Income and Expenses (under securitization accounting guidance) are reclassified in our earnings statement. In fiscal 2007, 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, with an accelerated portion in the second quarter. Interest expense, partially offset by interest income, will increase approximately \$20 to \$25 million. Other income including finance charges will increase \$35 to \$45 million. The net combination of these expenses and income is anticipated to

reduce annual earnings per diluted share by \$0.01.

## SECOND QUARTER 2007 OUTLOOK

The timing shift in the 2007 4-5-4 calendar is expected to have a negative impact on second quarter 2007 sales results.

The months of May and June are anticipated to be negatively impacted by the timing shift of the fiscal 2006 53rd week. When compared to the planned same-store sales rate of one to two percent for the 2007 second quarter, the monthly same-store sales rate in May is expected to be in-line, in June is expected to be below, and in July is expected to be above the anticipated quarterly rate.

For the second quarter of 2007, earnings per diluted share are expected in the range of \$0.62 to \$0.65, including a \$0.08 impact from the non-comparable items described in the performance table earlier.

## 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 866-448-7644. 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 second, third and fourth quarters, anticipated monthly, quarterly and annual same-store sales rates, 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, including the effect on consumer confidence, 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 and the timing and amounts of share repurchases by the company. Our SEC reports, including our Form 10-K for the fiscal year ended February 3, 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 - 1st Quarter

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

	Quarter ended 5/5/07	% of sales(1) (except as indicated)	Quarter ended 4/29/06	% of sales(1) (except as indicated)
Net sales	\$1,953,872	100.0%	\$1,787,223	100.0%
Cost of sales and related buying & occupancy costs	(1,214,752)	(62.2%)	(1,123,003)	(62.8%)
Gross profit	739,120	37.8%	664,220	37.2%
Selling, general and administrative expenses	(534,014)	(27.3%)	(494,220)	(27.7%)
Operating income	205,106	10.5%	170,000	9.5%
Interest expense, net	(7,212)	(0.4%)	(10,751)	(0.6%)
Other income including finance charges, net	55,851	2.9%	53,838	3.0%
Earnings before income tax expense	253,745	13.0%	213,087	11.9%
Income tax expense	(96,948)	(38.2%)(2)	(81,856)	(38.4%)(2)
Net earnings	\$156,797	8.0%	\$131,231	7.3%
Earnings per share				
Basic	\$0.61		\$0.49	
Diluted	\$0.60		\$0.48	

# ADDITIONAL DATA

Weighted average  
shares outstanding

Basic	257,948	267,490
Diluted	262,731	272,831

- (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)

	5/5/07	2/3/07	4/29/06
Assets			
Current assets:			
Cash and cash equivalents	\$744,644	\$402,559	\$261,326
Short-term investments	-	-	30,000
Accounts receivable, net	1,602,527	684,376	619,095
Investment in asset backed securities	-	428,175	565,854
Merchandise inventories	1,105,015	997,289	1,078,750
Current deferred tax assets, net	175,576	169,320	161,001
Prepaid expenses and other	59,764	60,474	56,982
Total current assets	3,687,526	2,742,193	2,773,008
Land, buildings and equipment, net	1,790,203	1,757,215	1,748,399
Goodwill	51,714	51,714	51,714
Acquired tradename	84,000	84,000	84,000
Other assets	217,942	186,456	129,518
Total assets	\$5,831,385	\$4,821,578	\$4,786,639

## Liabilities and Shareholders' Equity

Current liabilities:			
Accounts payable	\$699,678	\$576,796	\$638,983
Accrued salaries, wages and related benefits	176,965	339,965	174,300
Other current liabilities	411,141	433,487	372,446
Income taxes payable	121,899	76,095	59,978
Current portion of long-term debt	7,768	6,800	306,636
Total current liabilities	1,417,451	1,433,143	1,552,343
Long-term debt, net	1,474,632	623,652	624,949
Deferred property incentives, net	362,741	356,062	361,446
Other liabilities	257,326	240,200	219,477
Shareholders' equity:			
Common stock, no par value: 1,000,000 shares authorized; 258,140, 257,313 and 265,741 shares issued and outstanding	861,764	826,421	733,663
Retained earnings	1,469,743	1,350,680	1,294,351
Accumulated other comprehensive (loss) earnings	(12,272)	(8,580)	410
Total shareholders' equity	2,319,235	2,168,521	2,028,424
Total liabilities and shareholders' equity	\$5,831,385	\$4,821,578	\$4,786,639

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

	Quarter ended	Quarter ended
Operating Activities	5/5/07	4/29/06
Net earnings	\$156,797	\$131,231
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of buildings and equipment	69,364	70,425
Amortization of deferred property incentives and other, net	(9,004)	(8,677)
Stock-based compensation expense	6,329	7,336
Deferred income taxes, net	(18,809)	(7,395)
Tax benefit of stock-based payments	7,660	13,538
Excess tax benefit from stock-based payments	(7,387)	(11,617)
Provision for bad debt expense	8,484	2,650
Change in operating assets and liabilities:		
Accounts receivable	(925,721)	17,834
Investment in asset backed securities	420,387	(7,927)
Merchandise inventories	(135,280)	(109,648)
Prepaid expenses	5,062	(1,410)
Other assets	(25,490)	(572)
Accounts payable	92,928	91,905
Accrued salaries, wages and related benefits	(159,926)	(111,343)
Other current liabilities	(23,464)	(34,126)
Income taxes payable	57,221	(21,639)
Deferred property incentives	17,330	3,826
Other liabilities	5,979	4,360
Net cash (used in) provided by operating activities	(457,540)	28,751
Investing Activities		
Capital expenditures	(85,829)	(47,513)
Proceeds from sale of assets	122	18
Purchases of short-term investments	-	(100,000)
Sales of short-term investments	-	124,000
Other, net	4,957	(1,941)
Net cash used in investing activities	(80,750)	(25,436)
Financing Activities		
Proceeds from issuance of long-term debt	1,000,000	-
Principal payments on long-term debt	(151,141)	(1,124)
Increase (decrease) in cash book overdrafts	42,777	(1,807)
Proceeds from exercise of stock options	9,549	18,657
Proceeds from employee stock purchase plan	8,919	8,370
Excess tax benefit from stock-based payments	7,387	11,617
Cash dividends paid	(34,772)	(28,326)
Repurchase of common stock	-	(212,920)
Other, net	(2,344)	888
Net cash provided by (used in) financing activities	880,375	(204,645)
Net increase (decrease) in cash and cash equivalents	342,085	(201,330)
Cash and cash equivalents at beginning of year	402,559	462,656
Cash and cash equivalents at end of year	\$744,644	\$261,326

SOURCE Nordstrom, Inc.

05/17/2007

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