

# NORDSTROM

## Nordstrom Reports 2008 Third Quarter Earnings

November 13, 2008

SEATTLE, Nov. 13 /PRNewswire-FirstCall/ -- Nordstrom, Inc. (NYSE: JWN) today reported net earnings of \$71 million, or \$0.33 per diluted share, for the third quarter ended November 1, 2008. For the same quarter last year, Nordstrom reported net earnings of \$166 million and earnings per diluted share of \$0.68.

Total sales in the third quarter were \$1.81 billion, a decrease of 8.4 percent compared with sales of \$1.97 billion during the same period in fiscal 2007. Third quarter same-store sales decreased 11.1 percent.

Results for the third quarter ended November 3, 2007, included a \$20.9 million gain, net of tax, or \$0.09 per diluted share, from the sale of the Faconnable business, which closed during the third quarter of fiscal 2007.

### THIRD QUARTER HIGHLIGHTS

-- Third quarter results include two non-comparable items that had a benefit to earnings per share of approximately \$0.03. The company's third quarter earnings outlook did not include these items because they were not part of our view of ongoing operations.

-- Nordstrom, Inc. same-store sales decreased 11.1 percent for the quarter. Results in full-line stores continued to be challenging, as same-store sales decreased 15.6 percent in the quarter. Nordstrom Rack outperformed its off-price competition with a same-store sales increase of 3.6 percent. Sales for the Direct segment, which is nordstrom.com, increased 8.5 percent. Sales in all of our businesses were significantly impacted after the financial markets began to experience severe stress in mid-September.

-- Gross profit, as a percentage of sales, decreased 332 basis points compared with last year's third quarter as we responded to slower sales trends and the competitive environment with increased markdowns. Quarter-end inventory per square foot was down 3 percent from the prior year.

-- Selling, general and administrative expenses increased 2.6 percent, or \$14 million, compared with last year's third quarter. The company's continued focus on expense control resulted in expense growth well below annual square footage growth of 5.7%.

-- In the third quarter of 2008, Nordstrom repurchased 0.8 million shares of stock totaling \$26 million, with an average price of \$30.82. The company suspended its share repurchase program in September. The company may resume the program in the future when economic conditions improve. Third quarter share repurchases had a minimal impact on third quarter earnings per diluted share.

### CAPITAL INVESTMENT AND EXPANSION UPDATE

The company's capital expenditures are expected to total approximately \$350 million in fiscal year 2009, compared to approximately \$510 million in fiscal year 2008. Given current economic conditions and delays in real estate development, the company now expects to relocate one full-line store and open 3 new full-line stores in 2009 and 4-5 new full-line stores in 2010.

On November 6, 2008 Nordstrom opened a new Rack store at Liberty Tree Mall in Danvers, Mass., on November 7, 2008 it opened a 77,000-square-foot full-line store at Waterside Shops in Naples, Fla. and today it opened a new Rack store at The Rim in San Antonio, Tex.

### Fiscal Year 2008 Outlook

For the fiscal year ending January 31, 2009, the company anticipates earnings per diluted share in the range of \$1.87 to \$1.97. Outlined in the table below are the company's expectations for fiscal year 2008:

Fiscal 2008	
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Same-store Sales	9% to 10% decrease
Gross Profit (%)	250 to 280 basis point decrease
Selling, General and Admin. Expense (%)	160 to 190 basis point increase
Interest Expense, net	\$65 to \$70 million increase
Finance Charges and Other, net	\$30 to \$40 million increase
Effective Tax Rate	37.2% to 37.7%
Earnings per Diluted Share	\$1.87 to \$1.97
Diluted Shares Outstanding	220 million

### FOURTH QUARTER 2008 OUTLOOK

For the fourth quarter of 2008, the company anticipates earnings per diluted share in the range of \$0.35 to \$0.45. When compared to the planned same-store sales rate of negative 13 to negative 16 percent for the fourth quarter of fiscal 2008, the monthly same-store sales rates in November are expected to be below the anticipated quarterly rate. In December, the monthly same-store sales rate is expected to be above the anticipated quarterly rate.

### CONFERENCE CALL INFORMATION:

The company's senior management will host a conference call to discuss third quarter results at 4:30 p.m. Eastern Time today. To listen, please dial 800-779-8419 or 312-470-7356 (passcode: NORD). A telephone replay will be available beginning approximately one hour after the conclusion of the call by dialing 800-294-6358 or 402-220-9789 until the close of business on November 20, 2008. Interested parties may also listen to the live call over the Internet by visiting the Investor Relations section of the company's corporate Web site at <http://investor.nordstrom.com>. An archived webcast will be available in the Webcasts section until the close of business on February 13, 2009.

Nordstrom, Inc. is one of the nation's leading fashion specialty retailers, with 169 stores located in 28 states. Founded in 1901 as a shoe store in Seattle, today Nordstrom operates 109 full-line stores, 56 Nordstrom Racks, two Jeffrey boutiques, and two clearance stores. Nordstrom also 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 involve risks and uncertainties, including anticipated financial results for the fiscal year ending January 31, 2009 and its fourth quarter, anticipated quarterly and annual same-store sales rate, capital investments, anticipated 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 market conditions and the resultant impact on consumer spending patterns, the company's ability to respond to the business environment and fashion trends, the competitive pricing environment within the retail sector, effective inventory management, successful execution of the company's store growth strategy including the timely completion of construction associated with newly planned stores, relocations, and remodels, the effectiveness of planned advertising, marketing, and promotional campaigns, the company's compliance with applicable banking and related laws and regulations impacting the company's ability to extend credit to its customers, the company's compliance with information security and privacy laws and regulations, employment laws and regulations and other laws and regulations applicable to the company, successful execution of the company's multi-channel strategy, the company's ability to safeguard its brand and reputation, efficient and proper allocation of the company's capital resources, successful execution of the company's technology strategy, trends in personal bankruptcies and bad debt write-offs, changes in interest rates, the company's ability to maintain its relationships with company employees and to effectively train and develop its future leaders, the company's ability to control costs, risks related to fluctuations in world currencies, and weather conditions and hazards of nature that affect consumer traffic and consumers' purchasing patterns. Our SEC reports, including our Form 10-K for the fiscal year ended February 2, 2008, 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 - 3rd Quarter

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

	% of Quarter sales(1) ended (except as 11/1/08 indicated)	% of Quarter sales(1) ended (except as 11/3/07 indicated)		
Net sales	\$1,805	100.0%	\$1,970	100.0%
Cost of sales and related buying & occupancy costs	(1,185)	(65.7%)	(1,228)	(62.3%)
Gross profit	620	34.3%	742	37.7%
Selling, general and administrative expenses	(567)	(31.4%)	(553)	(28.0%)
Finance charges and other, net	74	4.1%	69	3.5%
Gain on sale of Faconnable	-	0.0%	34	1.7%
Earnings before interest and income taxes	127	7.1%	292	14.8%
Interest expense, net	(33)	(1.9%)	(20)	(1.0%)
Earnings before income taxes	94	5.2%	272	13.8%
Income tax expense	(23)	(24.3%)(2)	(106)	(39.0%)(2)
Net earnings	\$71	3.9%	\$166	8.4%

Earnings per share		
Basic	\$0.33	\$0.69
Diluted	\$0.33	\$0.68

ADDITIONAL DATA

Weighted average shares outstanding

Basic	215.6	241.5
Diluted	218.1	245.3

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

(2) Percent of earnings before income taxes.

NORDSTROM, INC.

CONSOLIDATED STATEMENTS OF EARNINGS - Year-to-Date

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

	Nine % of Months sales(1) ended (except as 11/1/08 indicated)		Nine % of Months sales(1) ended (except as 11/3/07 indicated)	
Net sales	\$5,971	100.0%	\$6,314	100.0%
Cost of sales and related buying & occupancy costs	(3,852)	(64.5%)	(3,957)	(62.7%)
Gross profit	2,119	35.5%	2,357	37.3%
Selling, general and administrative expenses	(1,716)	(28.7%)	(1,723)	(27.3%)
Finance charges and other, net	220	3.7%	195	3.1%
Gain on sale of Faconnable	-	0.0%	34	0.5%
Earnings before interest and income taxes	623	10.4%	863	13.7%
Interest expense, net	(98)	(1.6%)	(44)	(0.7%)
Earnings before income taxes	525	8.8%	819	13.0%
Income tax expense	(192)	(36.6%)(2)	(316)	(38.5%)(2)
Net earnings	\$333	5.6%	\$503	8.0%
Earnings per share				
Basic	\$1.54		\$2.01	
Diluted	\$1.52		\$1.98	

ADDITIONAL DATA

Weighted average shares outstanding

Basic	216.9	250.2
Diluted	219.8	254.5

(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 millions)

11/1/08 2/2/08 11/3/07

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Assets			
Current assets:			
Cash and cash equivalents	\$68	\$358	\$108
Accounts receivable, net	1,918	1,788	1,734
Merchandise inventories	1,278	956	1,242
Income taxes receivable	33	-	-
Current deferred tax assets, net	196	181	190
Prepaid expenses and other	67	78	69
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Total current assets	3,560	3,361	3,343
Land, buildings and equipment, net		2,215	1,983
Goodwill	53	53	53
Other assets	236	203	181
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Total assets	\$6,064	\$5,600	\$5,487
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#### Liabilities and Shareholders' Equity

Current liabilities:			
Commercial paper	\$102	\$-	\$91
Accounts payable	805	556	738
Accrued salaries, wages and related benefits	202	268	266
Other current liabilities	503	492	438
Income taxes payable	-	58	42
Current portion of long-term debt	425	261	209
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Total current liabilities	2,037	1,635	1,784
Long-term debt, net	2,215	2,236	1,791
Deferred property incentives, net		417	369
Other liabilities	233	245	249
Shareholders' equity:			
Common stock, no par value: 1,000 shares authorized; 215.4, 220.9, and 232.0 shares issued and outstanding			
	990	936	927
Retained earnings	192	201	408
Accumulated other comprehensive loss		(20)	(22)
			(27)
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Total shareholders' equity	1,162	1,115	1,308
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Total liabilities and shareholders' equity	\$6,064	\$5,600	\$5,487
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NORDSTROM, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited; amounts in millions)

	Nine Months ended	Nine Months ended
	11/1/08	11/3/07
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Operating Activities		
Net earnings	\$333	\$503
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization of buildings and equipment	222	203
Gain on sale of Faconnable	-	(34)
Amortization of deferred property incentives and other, net	(30)	(30)
Stock-based compensation expense		21
		21

Deferred income taxes, net	(59)	(33)
Tax benefit from stock-based payments	4	27
Excess tax benefit from stock-based payments	(4)	(25)
Provision for bad debt expense	106	71
Change in operating assets and liabilities:		
Accounts receivable	(62)	(1,041)
Investment in asset backed securities	-	420
Merchandise inventories	(301)	(283)
Prepaid expenses	9	(10)
Other assets	9	(28)
Accounts payable	280	131
Accrued salaries, wages and related benefits	(66)	(67)
Other current liabilities	8	-
Income taxes payable/receivable	(91)	(22)
Deferred property incentives	87	42
Other liabilities	(12)	2

Net cash provided by (used in) operating activities

454 (153)

#### Investing Activities

Capital expenditures	(439)	(358)
Change in accounts receivable originated at third parties	(171)	(102)
Proceeds from sale of Faconnable	-	216
Proceeds from sale of assets	1	12
Other, net	1	3

Net cash used in investing activities

(608) (229)

#### Financing Activities

Proceeds from commercial paper	102	91
Proceeds from long-term borrowings	150	1,522
Principal payments on long-term borrowings	(8)	(177)
(Decrease) increase in cash book overdrafts	(45)	23
Proceeds from exercise of stock options	13	32
Proceeds from employee stock purchase plan	16	17
Excess tax benefit from stock-based payments	4	25
Cash dividends paid	(104)	(103)
Repurchase of common stock	(264)	(1,340)
Other, net	-	(3)

Net cash (used in) provided by financing activities

(136) 87

Net decrease in cash and cash equivalents (290) (295)  
Cash and cash equivalents at beginning of period 358 403

Cash and cash equivalents at end of period \$68 \$108

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

SOURCE Nordstrom, Inc.

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