

# NORDSTROM PERFORMANCE SUMMARY

## Q1 2013 VS. Q1 2012

(\$ in millions, except EPS)	Q1	
	2013	2012
Net sales	\$2,657	\$2,535
Same-store sales increase <sup>1</sup>	2.7%	8.5%
Credit card revenues	\$92	\$90
Gross profit %	37.0%	37.5%
SG&A %	30.2%	30.0%
EBIT	\$275	\$280
EBIT %	10.3%	11.0%
Earnings per diluted share	\$0.73	\$0.70
ROIC	14.0%	13.1%

### SUMMARY

- Diluted EPS of \$0.73 increased 4.3%
- Net earnings of \$145 million decreased 2.5%
- EBIT of \$275 million decreased 1.8%. EBIT margin of 10.3% decreased 70 basis points

<sup>1</sup>Same-store sales are compared to the first 52 weeks of 2012.

Beginning in the first quarter of 2013, Nordstrom reclassified amounts in its financial statements, which did not impact net earnings, earnings per share, financial position or cash flows. For additional detail, see the Form 8-K filed on May 16, 2013.

See earnings release for reconciliation of free cash flow, adjusted debt to EBITDAR, and ROIC, which are non-GAAP measures.

### SALES

Net sales of \$2.7 billion increased 4.8%

Same-store increase of 2.7%

- Nordstrom, which includes Full-line and Direct, increased 3.1%. Top performing merchandise categories were Cosmetics, Women's Apparel and Handbags

Same-store sales by business

- Full-line was flat, on top of LY's 5.6% increase; top performing regions include Northern California and the Southwest
- Direct increased 25%, on top of LY's 44% increase
- Rack increased 0.8%, on top of LY's 6.8% increase

Both the average selling price and the number of items sold increased over LY

### GROSS PROFIT AND INVENTORY

Gross profit % of 37.0% decreased 50 basis points due to higher occupancy costs related to the accelerated Rack store expansion, combined with lower than planned sales volume. The decrease was also due to higher expenses associated with the growth in the Fashion Rewards program.

Ending inventory per square foot increased 5.9% compared to fiscal 2012. This outpaced sales per square foot growth of 2.3% for the quarter and was attributable to the planned investment in pack and hold inventory at Nordstrom Rack. This inventory represented 8% of total ending inventory, compared with 4% for the same period in fiscal 2012.

### EXPENSE

SG&A % increased 14 basis points due to incremental costs related to the planned entry into Canada and accelerated Rack store expansion, coupled with a \$10 million reduction in the reserve for bad debt taken in the first quarter of 2012.

### FINANCIAL POSITION

- Free cash flow of \$48 million
- \$1.2 billion in cash; total liquidity of \$2.0 billion
- Adjusted debt to EBITDAR of 2.1 times, well within the range of investment grade
- Q1 share repurchase of \$166 million, with \$1.0 billion remaining under the existing share repurchase authorizations. The impact of first quarter's share repurchases is expected to increase earnings per diluted share by approximately \$0.05 for the full year.
- Capital expenditures, net of property incentives, of \$133 million
- Replaced \$600 million and \$200 million borrowing facilities with one \$800 million, five-year borrowing facility

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## FY 2013 EXPECTATIONS

	Current Outlook	Prior Outlook
Total sales	4% to 6% increase	4.5% to 6.5% increase
Same-store sales	3% to 5% increase	3.5% to 5.5% increase
Credit card revenues <sup>1</sup>	\$0 to \$5 million increase	\$0 to \$5 million increase
Gross profit %	10 to 30 basis point decrease	10 to 30 basis point decrease
SG&A % <sup>1</sup>	0 to 10 basis point decrease	0 to 10 basis point decrease
Interest expense, net	\$5 million decrease	\$5 million decrease
Effective tax rate	39.0%	39.0%
Earnings per diluted share	\$3.65 to \$3.80	\$3.65 to \$3.80
Diluted shares outstanding	Approximately 200 million	Approximately 203 million

<sup>1</sup>Impacted by financial statement reclassifications as previously described. These reclassifications do not result in a change to the current outlook relative to the prior outlook.

### CALENDARIZATION

The 53rd week in fiscal 2012 creates a timing shift in the 4-5-4 calendar for fiscal 2013 that is expected to impact comparisons of performance to the prior year. Same-store sales are compared with the first 52 weeks of 2012. In 2013, the Anniversary Sale, which is the Company's largest sale event of the year, will occur in the second quarter, while in fiscal 2012 it overlapped the second and third quarters.

The Company is providing the following view of quarterly trends, relative to annual fiscal 2013 expectations:

	Annual Fiscal 2013 Guidance	Compared to Annual Fiscal 2013 Guidance Range	
		Second Quarter	Second Half
Same-store sales	3% to 5% increase	Above	Below
Earnings per diluted share	3% to 7% increase	Above	Below