

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) **November 9, 2017**

NORDSTROM, INC.

(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction
of incorporation)

001-15059
(Commission
File Number)

91-0515058
(IRS Employer
Identification No.)

1617 Sixth Avenue, Seattle, Washington
(Address of principal executive offices)

98101
(Zip Code)

Registrant's telephone number, including area code **(206) 628-2111**

Inapplicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

ITEM 2.02 Results of Operations and Financial Condition

On November 9, 2017, Nordstrom, Inc. issued an earnings release announcing its results of operations for the quarter and nine months ended October 28, 2017, its financial position as of October 28, 2017, and its cash flows for the nine months ended October 28, 2017. A copy of this earnings release is attached as Exhibit 99.1.

ITEM 7.01 Regulation FD Disclosure

On November 9, 2017, Nordstrom, Inc. issued an earnings release announcing its results of operations for the quarter and nine months ended October 28, 2017, its financial position as of October 28, 2017, and its cash flows for the nine months ended October 28, 2017. A copy of this earnings release is attached as Exhibit 99.1.

The information furnished in this Item 7.01 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, regardless of any general incorporation language in such filing, except as shall be expressly set forth by a specific reference in such filing.

ITEM 9.01 Financial Statements and Exhibits

[99.1](#)

Nordstrom earnings release dated November 9, 2017 relating to the Company's results of operations for the quarter and nine months ended October 28, 2017, its financial position as of October 28, 2017, and its cash flows for the nine months ended October 28, 2017.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NORDSTROM, INC.

(Registrant)

/s/ Robert B. Sari

Robert B. Sari

Senior Vice President,

General Counsel and Corporate Secretary

Date: November 9, 2017

EXHIBIT INDEX

| EXHIBIT NUMBER | DESCRIPTION |
|----------------------|---|
| 99.1 | Nordstrom earnings release dated November 9, 2017 relating to the Company's results of operations for the quarter and nine months ended October 28, 2017, its financial position as of October 28, 2017, and its cash flows for the nine months ended October 28, 2017. |

NORDSTROM

FOR RELEASE:

November 9, 2017 at 1:05 PM PST

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Nordstrom Reports Third Quarter 2017 Earnings

SEATTLE, Wash. (November 9, 2017) – Nordstrom, Inc. (NYSE: JWN) today reported earnings per diluted share for the third quarter ended October 28, 2017 of \$0.67. The estimated reduction in earnings from several hurricanes affecting stores in Puerto Rico, Florida, and Texas was approximately \$0.04. Total Company net sales increased 2.0 percent and comparable sales decreased 0.9 percent, compared with the same quarter last year. The estimated lost sales impact from the hurricanes was approximately \$20 million, or 60 basis points.

Nordstrom continued its progress in executing its strategy to improve the customer experience:

- With a test and learn approach in finding innovative ways to improve speed, convenience and personalization for customers, the Company launched Nordstrom Local, its latest retail concept where customers can shop and access Nordstrom services in a convenient, central location.
- In executing its digital strategy, the Company delivered online sales growth on a year-to-date basis of 14 percent at Nordstrom.com and 26 percent at Nordstromrack.com/HauteLook.
- The Company strengthened its presence in top markets through two full-line store relocations in Southern California, a new full-line store in Toronto, Canada, and 11 new Nordstrom Rack stores plus one relocation. These stores feature the Company's latest design concepts and digital experiences.
- As a result of the Company's ongoing efforts to provide newness and limited-distribution product to customers, Nordstrom proprietary labels continued to outperform the company average.
- The Nordstrom Rewards loyalty program continues to play an important role in reaching new customers and strengthening existing customer relationships. The Company has 9.9 million active Rewards customers in the U.S. and Canada, up 39 percent, from 7.1 million a year ago. Sales from Nordstrom Rewards customers represented 51 percent of third quarter sales, compared with 45 percent a year ago.

THIRD QUARTER SUMMARY

- Third quarter net earnings were \$114 million and earnings before interest and taxes ("EBIT") were \$208 million, or 5.9 percent of net sales, compared with net loss of \$10 million and EBIT of \$55 million, or 1.6 percent of net sales, during the same period in fiscal 2016.
 - Retail EBIT increased \$137 million compared with the same quarter last year, primarily reflecting a goodwill impairment charge of \$197 million in 2016.
 - Credit EBIT increased \$16 million through the strategic partnership with TD Bank, primarily due to credit card revenues growth of 25 percent.
- Total Company net sales of \$3.5 billion for the third quarter increased 2.0 percent compared with the same period in fiscal 2016. Total Company comparable sales for the third quarter decreased 0.9 percent compared with the same quarter last year.

- In the Nordstrom brand, including U.S. and Canada full-line stores and Nordstrom.com, net sales when combined with Trunk Club, decreased 1.2 percent and comparable sales decreased 1.9 percent. The top-ranking merchandise categories were Men's Apparel and Kids' Apparel. The West was the top-ranking U.S. geographic region.
- In the Nordstrom Rack brand, which consists of Nordstrom Rack stores and Nordstromrack.com/HauteLook, net sales increased 5.5 percent and comparable sales increased 0.8 percent. The West was the top-ranking geographic region.
- Retail gross profit, as a percentage of net sales, of 34.7 percent decreased 12 basis points compared with the same period in fiscal 2016. This primarily reflected higher occupancy expenses related to new store growth for Nordstrom Rack and Canada. Net sales growth of 2 percent exceeded inventory growth of 1 percent.
- Selling, general and administrative expenses, as a percentage of net sales, of 31.2 percent increased 161 basis points compared with the same period in fiscal 2016. This primarily reflected higher technology and supply chain expenses associated with the Company's growth initiatives.
- Return on invested capital ("ROIC") for the 12 fiscal months ended October 28, 2017 was 10.7 percent compared with 7.2 percent in the prior 12-month period. Results for the prior period were negatively impacted by approximately 340 basis points due to the Trunk Club non-cash goodwill impairment charge in the third quarter of 2016. A reconciliation of this non-GAAP financial measure to the closest GAAP measure is included below.

EXPANSION UPDATE

To date in fiscal 2017, the Company opened 19 stores, relocated three stores and closed two stores. The Company opened the following stores in the third quarter of 2017:

| Location | Store Name | Square Footage (000's) | Timing |
|--------------------------------------|-------------------------------|------------------------|--------------|
| Nordstrom full-line - U.S. | | | |
| Los Angeles, California ¹ | Century City | 154 | October 3 |
| Melrose, California | Nordstrom Local | 4 | October 3 |
| San Diego, California ² | University Towne Center | 155 | October 12 |
| Nordstrom full-line - Canada | | | |
| Toronto, Ontario | Sherway Gardens | 151 | September 15 |
| Nordstrom Rack | | | |
| Daly City, California ³ | Serramonte Center | 40 | September 7 |
| Glenarden, Maryland | Woodmore Towne Center | 30 | September 7 |
| Minneapolis, Minnesota | IDS Center's Crystal Court | 39 | September 7 |
| Bellevue, Washington | Lincoln Square Expansion | 43 | September 7 |
| Portland, Oregon | Cascade Station | 28 | October 5 |
| Memphis, Tennessee | Poplar Commons | 33 | October 5 |
| Frisco, Texas | The Centre at Preston Ridge | 33 | October 5 |
| Los Angeles, California | FIGat7th | 27 | October 26 |
| Vacaville, California | Nut Tree | 27 | October 26 |
| Norridge, Illinois | Harlem Irving Plaza (The HIP) | 33 | October 26 |
| New York, New York | 31st & 6th | 47 | October 26 |
| Kirkland, Washington | The Village at Totem Lake | 35 | October 26 |

¹Nordstrom relocated its full-line store at Westside Pavilion in Los Angeles to nearby Century City.

²Nordstrom relocated its full-line store at University Towne Center in San Diego to another location within the same center.

³Nordstrom relocated its Nordstrom Rack store in Colma to nearby Serramonte Center in Daly City, California.

| Number of stores | October 28, 2017 | October 29, 2016 |
|---|------------------|------------------|
| Nordstrom full-line - U.S. ¹ | 117 | 118 |
| Nordstrom full-line - Canada | 6 | 5 |
| Nordstrom Rack | 232 | 215 |
| Other ² | 11 | 10 |
| Total | 366 | 348 |

¹ Nordstrom full-line - U.S. total includes the Nordstrom Local store in California.

² Other includes Trunk Club clubhouses, Jeffrey boutiques and Last Chance clearance stores.

| | | |
|----------------------|------------|------------|
| Gross square footage | 30,223,000 | 29,783,000 |
|----------------------|------------|------------|

FISCAL YEAR 2017 OUTLOOK

The Company updated its annual outlook expectations for earnings per diluted share to incorporate third quarter results. Nordstrom's current expectations for fiscal 2017 are as follows:

| | Prior Outlook | Current Outlook |
|----------------------------|----------------------|------------------------|
| Net sales (percent) | Approximately 4 | Approximately 4 |
| Comparable sales (percent) | Approximately flat | Approximately flat |
| Retail EBIT (million) | \$790 to \$840 | \$755 to \$785 |
| Credit EBIT (million) | Approximately \$145 | Approximately \$165 |
| Earnings per diluted share | \$2.85 to \$3.00 | \$2.85 to \$2.95 |

The Company's outlook includes the following considerations:

- The full-year impact from several hurricanes that occurred in the third quarter is estimated to impact sales by \$26 million, EBIT by \$17 million and EPS by \$0.06.
- The 53rd week is expected to add approximately \$200 million to total net sales and approximately \$0.02 to \$0.03 to earnings per diluted share. The 53rd week is not included in comparable sales calculations.
- The Anniversary Sale, historically the Company's largest event of the year, spanned across the second and third quarters, consistent with the timing in fiscal 2016.
- The outlook assumptions for Retail EBIT when compared with fiscal 2016 include increased occupancy expenses related to new stores (Nordstrom Rack, Canada and Manhattan flagship men's store) in addition to higher supply chain and technology costs.
- Retail EBIT in fiscal 2016 included the following non-operational items: higher credit chargeback expenses associated with an industry change in liability rules and severance charges totaling \$30 million, or \$0.10 in the first quarter; an impairment charge related to Trunk Club of \$197 million in the third quarter; and a non-operational legal settlement gain of \$22 million, or \$0.10, in the fourth quarter.
- The outlook assumptions for Credit EBIT when compared with fiscal 2016 incorporate higher credit card revenues including a reduction in amortization expenses of \$18 million related to the sale of the credit card portfolio.
- The income tax rate is estimated to be approximately in line with the year-to-date rate for fiscal 2017.
- Diluted shares outstanding, excluding any future share repurchases, are estimated at 169 million for fiscal 2017.

CONFERENCE CALL INFORMATION

The Company's senior management will host a conference call to discuss third quarter 2017 results and fiscal 2017 outlook at 4:45 p.m. Eastern Standard Time today. To listen to the live call online and view the conference call slides and the speakers' prepared remarks, visit the Investor Relations section of the Company's corporate website at <http://investor.nordstrom.com>. An archived webcast with the speakers' prepared remarks and the conference call slides will be available in the Quarterly Earnings section for at least one year. Interested parties may also dial 201-689-8354. A telephone replay will be available beginning approximately three hours after the conclusion of the call by dialing 877-660-6853 or 201-612-7415 and entering Conference ID 13672805, until the close of business on November 16, 2017.

ABOUT NORDSTROM

Nordstrom, Inc. is a leading fashion retailer based in the U.S. Founded in 1901 as a shoe store in Seattle, today Nordstrom operates 366 stores in 40 states, including 122 full-line stores in the United States, Canada and Puerto Rico; 232 Nordstrom Rack stores; two Jeffrey boutiques; two clearance stores; seven Trunk Club clubhouses; and its Nordstrom Local service concept. Additionally, customers are served online through Nordstrom.com, Nordstromrack.com, HauteLook, and TrunkClub.com. Nordstrom, Inc.'s common stock is publicly traded on the NYSE under the symbol JWN.

Certain statements in this news release contain or may suggest "forward-looking" information (as defined in the Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties including, but not limited to, our anticipated financial outlook for the fiscal year ending February 3, 2018, our anticipated annual total and comparable sales rates, our anticipated new store openings in existing, new and international markets, our anticipated Return on Invested Capital and trends in our operations. Such statements are based upon the current beliefs and expectations of our management and are subject to significant risks and uncertainties. Our actual future results may differ materially from historical results or current expectations depending upon factors including, but not limited to: successful execution of our customer strategy, including expansion into new domestic and international markets, acquisitions, investments in our stores and online, as well as investments in technology, our ability to realize the anticipated benefits from growth initiatives and our ability to provide a seamless experience across all channels; our ability to respond to the business and retail environment, fashion trends and consumer preferences, including changing expectations of service and experience in stores and online, and evolve our business model; timely and effective execution of our ecommerce initiatives and ability to manage the costs and organizational changes associated with this evolving business model; successful execution of our information technology strategy; our ability to effectively utilize data in strategic planning and decision making; timely completion of construction associated with newly planned stores, relocations and remodels, all of which may be impacted by the financial health of third parties; efficient and proper allocation of our capital resources; the impact of any systems or network failures, cybersecurity and/or security breaches, including any security breach of our systems or those of a third party provider that results in the theft, transfer or unauthorized disclosure of customer, employee or Company information or compliance with information security and privacy laws and regulations in the event of such an incident; effective inventory management processes and systems, fulfillment processes and systems, disruptions in our supply chain and our ability to control costs; the effect of the announcement by the members of the Nordstrom family relating to the exploration of a possible "going private transaction" on our relationships with our customers, employees, suppliers and partners, operating results and business generally; our ability to safeguard our reputation and maintain our vendor relationships; our ability to maintain relationships with and motivate our employees and to effectively attract, develop and retain our future leaders, which could be impacted by the uncertainty about the possibility of a "going private transaction;" our ability to realize the expected benefits, respond to potential risks and appropriately manage costs associated with our program agreement with TD Bank USA, N.A. ("TD"); the effectiveness of planned advertising, marketing and promotional campaigns in the highly competitive and promotional retail industry; the timing, price, manner and amounts of future share repurchases by the Company, if any, or any share issuances by the Company, including issuances associated with option exercises or other matters; the impact of economic and market conditions and the resultant impact on consumer spending patterns; the impact of economic or political conditions in the U.S. and countries where our third party vendors operate; weather conditions, natural disasters, health hazards, national security or other market disruptions, or the prospects of these events and the resulting impact on consumer spending patterns or information technology systems and communications; our compliance with applicable domestic and international laws, regulations and ethical standards, including those related to banking, employment and tax and the outcome of claims and litigation and resolution of such matters; the impact of the current regulatory environment and financial system and health care reforms; and compliance with debt covenants, availability and cost of credit, changes in our credit rating, changes in interest rates, debt repayment patterns and personal bankruptcies. Our SEC reports, including our Form 10-K for the fiscal year ended January 28, 2017, and our Form 10-Q for the fiscal quarters ended April 29, 2017 and July 29, 2017, 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, except as required by law.

NORDSTROM, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
(unaudited; amounts in millions, except per share amounts)

| | Quarter Ended | | Nine Months Ended | |
|--|------------------|------------------|-------------------|------------------|
| | October 28, 2017 | October 29, 2016 | October 28, 2017 | October 29, 2016 |
| Net sales | \$ 3,541 | \$ 3,472 | \$ 10,537 | \$ 10,255 |
| Credit card revenues, net | 88 | 70 | 239 | 186 |
| Total revenues | 3,629 | 3,542 | 10,776 | 10,441 |
| Cost of sales and related buying and occupancy costs | (2,315) | (2,261) | (6,921) | (6,720) |
| Selling, general and administrative expenses | (1,106) | (1,029) | (3,280) | (3,143) |
| Goodwill impairment | — | (197) | — | (197) |
| Earnings before interest and income taxes | 208 | 55 | 575 | 381 |
| Interest expense, net | (28) | (30) | (104) | (90) |
| Earnings before income taxes | 180 | 25 | 471 | 291 |
| Income tax expense | (66) | (35) | (185) | (138) |
| Net earnings (loss) | \$ 114 | \$ (10) | \$ 286 | \$ 153 |

Earnings (Loss) per share:

| | | | | |
|---------|---------|-----------|---------|---------|
| Basic | \$ 0.68 | \$ (0.06) | \$ 1.72 | \$ 0.88 |
| Diluted | \$ 0.67 | \$ (0.06) | \$ 1.70 | \$ 0.87 |

Weighted-average shares outstanding:

| | | | | |
|---------|-------|-------|-------|-------|
| Basic | 166.6 | 173.4 | 166.7 | 173.3 |
| Diluted | 168.8 | 173.4 | 168.8 | 175.6 |

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

| | October 28, 2017 | January 28, 2017 | October 29, 2016 |
|---|------------------|------------------|------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 672 | \$ 1,007 | \$ 531 |
| Accounts receivable, net | 211 | 199 | 216 |
| Merchandise inventories | 2,434 | 1,896 | 2,411 |
| Prepaid expenses and other | 162 | 140 | 227 |
| Total current assets | 3,479 | 3,242 | 3,385 |
| Land, property and equipment (net of accumulated depreciation of \$5,952, \$5,596 and \$5,462) | 3,940 | 3,897 | 3,865 |
| Goodwill | 238 | 238 | 238 |
| Other assets | 529 | 481 | 478 |
| Total assets | \$ 8,186 | \$ 7,858 | \$ 7,966 |
| Liabilities and Shareholders' Equity | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 1,815 | \$ 1,340 | \$ 1,653 |
| Accrued salaries, wages and related benefits | 433 | 455 | 391 |
| Other current liabilities | 1,166 | 1,223 | 1,186 |
| Current portion of long-term debt | 57 | 11 | 11 |
| Total current liabilities | 3,471 | 3,029 | 3,241 |
| Long-term debt, net | 2,681 | 2,763 | 2,767 |
| Deferred property incentives, net | 510 | 521 | 532 |
| Other liabilities | 670 | 675 | 566 |
| Commitments and contingencies | | | |
| Shareholders' equity: | | | |
| Common stock, no par value: 1,000 shares authorized; 166.6, 170.0 and 173.2 shares issued and outstanding | 2,785 | 2,707 | 2,651 |
| Accumulated deficit | (1,899) | (1,794) | (1,742) |
| Accumulated other comprehensive loss | (32) | (43) | (49) |
| Total shareholders' equity | 854 | 870 | 860 |
| Total liabilities and shareholders' equity | \$ 8,186 | \$ 7,858 | \$ 7,966 |

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

| | Nine Months Ended | |
|---|----------------------|----------------------|
| | October 28, 2017 | October 29, 2016 |
| Operating Activities | | |
| Net earnings | \$ 286 | \$ 153 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization expenses | 479 | 480 |
| Goodwill impairment | — | 197 |
| Amortization of deferred property incentives and other, net | (62) | (59) |
| Deferred income taxes, net | (82) | (14) |
| Stock-based compensation expense | 59 | 68 |
| Change in operating assets and liabilities: | | |
| Accounts receivable | (11) | (20) |
| Merchandise inventories | (465) | (393) |
| Prepaid expenses and other assets | (35) | 25 |
| Accounts payable | 419 | 360 |
| Accrued salaries, wages and related benefits | (22) | (26) |
| Other current liabilities | (53) | 33 |
| Deferred property incentives | 55 | 54 |
| Other liabilities | 29 | 20 |
| Net cash provided by operating activities | <u>597</u> | <u>878</u> |
| Investing Activities | | |
| Capital expenditures | (536) | (625) |
| Other, net | 29 | 47 |
| Net cash used in investing activities | <u>(507)</u> | <u>(578)</u> |
| Financing Activities | | |
| Proceeds from long-term borrowings, net of discounts | 635 | — |
| Principal payments on long-term borrowings | (658) | (7) |
| Decrease in cash book overdrafts | (3) | (127) |
| Cash dividends paid | (185) | (192) |
| Payments for repurchase of common stock | (211) | (91) |
| Proceeds from issuances under stock compensation plans | 25 | 51 |
| Tax withholding on share-based awards | (7) | (4) |
| Other, net | (21) | 6 |
| Net cash used in financing activities | <u>(425)</u> | <u>(364)</u> |
| Net decrease in cash and cash equivalents | (335) | (64) |
| Cash and cash equivalents at beginning of period | 1,007 | 595 |
| Cash and cash equivalents at end of period | <u><u>\$ 672</u></u> | <u><u>\$ 531</u></u> |

NORDSTROM, INC.
STATEMENTS OF EARNINGS — RETAIL BUSINESS AND CREDIT

(unaudited; dollar amounts in millions)

Retail Business

Our Retail Business includes our Nordstrom U.S. and Canada full-line stores, Nordstrom.com, Nordstrom Rack stores, Nordstromrack.com/HauteLook, Trunk Club, Jeffrey boutiques and Last Chance clearance stores. It also includes unallocated corporate center expenses. The following tables summarize the results of our Retail Business for the quarter and nine months ended October 28, 2017 compared with the same periods in fiscal 2016:

| | Quarter Ended | | | |
|--|------------------|-----------------------------|------------------|-----------------------------|
| | October 28, 2017 | | October 29, 2016 | |
| | Amount | % of net sales ¹ | Amount | % of net sales ¹ |
| Net sales | \$ 3,541 | 100.0% | \$ 3,472 | 100.0% |
| Cost of sales and related buying and occupancy costs | (2,311) | (65.3%) | (2,262) | (65.2%) |
| Gross profit | 1,230 | 34.7% | 1,210 | 34.8% |
| Selling, general and administrative expenses | (1,070) | (30.2%) | (990) | (28.5%) |
| Goodwill impairment | — | —% | (197) | (5.7%) |
| Earnings before interest and income taxes | \$ 160 | 4.5% | \$ 23 | 0.6% |

| | Nine Months Ended | | | |
|--|-------------------|-----------------------------|------------------|-----------------------------|
| | October 28, 2017 | | October 29, 2016 | |
| | Amount | % of net sales ¹ | Amount | % of net sales ¹ |
| Net sales | \$ 10,537 | 100.0% | \$ 10,255 | 100.0% |
| Cost of sales and related buying and occupancy costs | (6,914) | (65.6%) | (6,718) | (65.5%) |
| Gross profit | 3,623 | 34.4% | 3,537 | 34.5% |
| Selling, general and administrative expenses | (3,172) | (30.1%) | (3,024) | (29.5%) |
| Goodwill impairment | — | —% | (197) | (1.9%) |
| Earnings before interest and income taxes | \$ 451 | 4.3% | \$ 316 | 3.1% |

¹ Subtotals and totals may not foot due to rounding.

The following table summarizes net sales and comparable sales within our Retail Business:

| | Quarter Ended | | | | Nine Months Ended | | | |
|-----------------------------------|------------------|---------------|------------------|-------------|-------------------|-------------|------------------|---------------|
| | October 28, 2017 | | October 29, 2016 | | October 28, 2017 | | October 29, 2016 | |
| | Sales | Comp % | Sales | Comp % | Sales | Comp % | Sales | Comp % |
| Nordstrom full-line stores - U.S. | \$ 1,488 | (4.9%) | \$ 1,568 | (4.5%) | \$ 4,858 | (5.2%) | \$ 5,128 | (6.3%) |
| Nordstrom.com | 534 | 7.5% | 497 | 20.1% | 1,901 | 13.5% | 1,675 | 10.3% |
| Full-price | 2,022 | (1.9%) | 2,065 | 0.5% | 6,759 | (0.5%) | 6,803 | (2.6%) |
| Nordstrom Rack | 966 | (5.0%) | 958 | 0.9% | 2,910 | (2.3%) | 2,777 | 0.4% |
| Nordstromrack.com/HauteLook | 212 | 33.6% | 159 | 23.2% | 609 | 26.3% | 482 | 32.9% |
| Off-price | 1,178 | 0.8% | 1,117 | 3.9% | 3,519 | 2.0% | 3,259 | 4.6% |
| Other retail ¹ | 151 | | 135 | | 420 | | 384 | |
| Retail segment | 3,351 | | 3,317 | | 10,698 | | 10,446 | |
| Corporate/Other | 190 | | 155 | | (161) | | (191) | |
| Total net sales | \$ 3,541 | (0.9%) | \$ 3,472 | 2.4% | \$ 10,537 | 0.1% | \$ 10,255 | (0.2%) |

¹ Other retail includes Nordstrom Canada full-line stores, Trunk Club and Jeffrey boutiques.

Credit

The following table summarizes the results of our Credit segment for the quarter and nine months ended October 28, 2017 compared with the same periods in 2016:

| | Quarter Ended | | Nine Months Ended | |
|--|------------------|------------------|-------------------|------------------|
| | October 28, 2017 | October 29, 2016 | October 28, 2017 | October 29, 2016 |
| Credit card revenues, net | \$ 88 | \$ 70 | \$ 239 | \$ 186 |
| Credit expenses | (40) | (38) | (115) | (121) |
| Earnings before interest and income taxes | \$ 48 | \$ 32 | \$ 124 | \$ 65 |

NORDSTROM, INC.
RETURN ON INVESTED CAPITAL (NON-GAAP FINANCIAL MEASURE)
(unaudited; dollar amounts in millions)

We believe ROIC is a useful financial measure for investors in evaluating the efficiency and effectiveness of our use of capital and believe ROIC is an important component of shareholders' return over the long term. In addition, we incorporate ROIC in our executive incentive compensation measures. For the 12 fiscal months ended October 28, 2017, our ROIC increased to 10.7% compared with 7.2% for the 12 fiscal months ended October 29, 2016. Results for the prior period were negatively impacted by approximately 340 basis points due to the Trunk Club non-cash goodwill impairment charge in the third quarter of 2016.

We define ROIC as our net operating profit after tax divided by our average invested capital using the trailing 12-month average. ROIC is not a measure of financial performance under generally accepted accounting principles ("GAAP") and should be considered in addition to, and not as a substitute for, return on assets, net earnings, total assets or other financial measures prepared in accordance with GAAP. Our method of determining non-GAAP financial measures may differ from other companies' methods and therefore may not be comparable to those used by other companies. The financial measure calculated under GAAP which is most directly comparable to ROIC is return on assets. The following is a reconciliation of the components of ROIC and return on assets:

| | 12 Fiscal Months Ended | |
|---|------------------------|------------------|
| | October 28, 2017 | October 29, 2016 |
| Net earnings | \$ 488 | \$ 333 |
| Add: income tax expense | 376 | 252 |
| Add: interest expense | 139 | 121 |
| Earnings before interest and income tax expense | <u>1,003</u> | <u>706</u> |
| Add: rent expense | 237 | 195 |
| Less: estimated depreciation on capitalized operating leases ¹ | <u>(126)</u> | <u>(103)</u> |
| Net operating profit | 1,114 | 798 |
| Less: estimated income tax expense | (486) | (383) |
| Net operating profit after tax | <u>\$ 628</u> | <u>\$ 415</u> |
| Average total assets | \$ 8,009 | \$ 7,987 |
| Less: average non-interest-bearing current liabilities ² | (3,211) | (3,105) |
| Less: average deferred property incentives and deferred rent liability ² | (646) | (541) |
| Add: average estimated asset base of capitalized operating leases ³ | 1,718 | 1,452 |
| Average invested capital | <u>\$ 5,870</u> | <u>\$ 5,793</u> |
| Return on assets⁴ | 6.1% | 4.2% |
| ROIC⁴ | 10.7% | 7.2% |

¹ Capitalized operating leases is our best estimate of the asset base we would record for our leases that are classified as operating if they had met the criteria for a capital lease or we had purchased the property. Asset base is calculated as described in footnote 3 below.

² Balances associated with our deferred rent liability have been classified as long-term liabilities in the current period.

³ Based upon the trailing 12-month average of the monthly asset base. The asset base for each month is calculated as the trailing 12 months of rent expense multiplied by eight. The multiple of eight times rent expense is a commonly used method of estimating the asset base we would record for our capitalized operating leases described in footnote 1.

⁴ Results for the 12 fiscal months ended October 29, 2016 include the \$197 impact of the Trunk Club non-cash goodwill impairment charge in the third quarter of 2016, which negatively impacted the prior period return on assets by approximately 250 basis points and ROIC by 340 basis points.

NORDSTROM, INC.
ADJUSTED DEBT TO EBITDAR (NON-GAAP FINANCIAL MEASURE)
(unaudited; dollar amounts in millions)

Adjusted Debt to earnings before interest, income taxes, depreciation, amortization and rent ("EBITDAR") is one of our key financial metrics, and we believe that our debt levels are best analyzed using this measure. Our goal is to manage debt levels to maintain an investment-grade credit rating and operate with an efficient capital structure. In evaluating our debt levels, this measure provides a reflection of our credit worthiness that could impact our credit rating and borrowing costs. We also have a debt covenant that requires an adjusted debt to EBITDAR leverage ratio of no more than four times. As of October 28, 2017 and October 29, 2016, our Adjusted Debt to EBITDAR was 2.5.

Adjusted Debt to EBITDAR is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for, debt to net earnings, net earnings, debt or other financial measures prepared in accordance with GAAP. Our method of determining non-GAAP financial measures may differ from other companies' methods and therefore may not be comparable to those used by other companies. The financial measure calculated under GAAP which is most directly comparable to Adjusted Debt to EBITDAR is debt to net earnings. The following is a reconciliation of the components of Adjusted Debt to EBITDAR and debt to net earnings:

| | 2017 ¹ | 2016 ¹ |
|---|-------------------|-------------------|
| Debt | \$ 2,738 | \$ 2,778 |
| Add: estimated capitalized operating lease liability ² | 1,896 | 1,561 |
| Less: fair value hedge adjustment included in long-term debt | — | (14) |
| Adjusted Debt | \$ 4,634 | \$ 4,325 |
| Net earnings | \$ 488 | \$ 333 |
| Add: income tax expense | 376 | 252 |
| Add: interest expense, net | 135 | 121 |
| Earnings before interest and income taxes | 999 | 706 |
| Add: depreciation and amortization expenses | 644 | 631 |
| Add: rent expense | 237 | 195 |
| Add: non-cash acquisition-related charges ³ | 10 | 197 |
| EBITDAR | \$ 1,890 | \$ 1,729 |
| Debt to Net Earnings⁴ | 5.6 | 8.3 |
| Adjusted Debt to EBITDAR | 2.5 | 2.5 |

¹ The components of Adjusted Debt are as of October 28, 2017 and October 29, 2016, while the components of EBITDAR are for the 12 months ended October 28, 2017 and October 29, 2016.

² Based upon the estimated lease liability as of the end of the period, calculated as the trailing 12 months of rent expense multiplied by eight. The multiple of eight times rent expense is a commonly used method of estimating the debt we would record for our leases that are classified as operating if they had met the criteria for a capital lease or we had purchased the property.

³ Non-cash acquisition-related charges for the 12 months ended October 29, 2016 include the goodwill impairment charge of \$197 related to Trunk Club.

⁴ Results for the period ended October 29, 2016 include the \$197 impact of the Trunk Club goodwill impairment charge, which approximates 310 basis points.

NORDSTROM, INC.
FREE CASH FLOW (NON-GAAP FINANCIAL MEASURE)
(unaudited; amounts in millions)

Free Cash Flow is one of our key liquidity measures, and when used in conjunction with GAAP measures, provides investors with a meaningful analysis of our ability to generate cash from our business. For the nine months ended October 28, 2017, we had Free Cash Flow of (\$127) compared with (\$66) for the nine months ended October 29, 2016.

Free Cash Flow is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for, operating cash flows or other financial measures prepared in accordance with GAAP. Our method of determining non-GAAP financial measures may differ from other companies' methods and therefore may not be comparable to those used by other companies. The financial measure calculated under GAAP which is most directly comparable to Free Cash Flow is net cash provided by operating activities. The following is a reconciliation of net cash provided by operating activities to Free Cash Flow:

| | Nine Months Ended | |
|--|--------------------------|-------------------------|
| | October 28, 2017 | October 29, 2016 |
| Net cash provided by operating activities | \$ 597 | \$ 878 |
| Less: capital expenditures | (536) | (625) |
| Less: cash dividends paid | (185) | (192) |
| Less: change in cash book overdrafts | (3) | (127) |
| Free Cash Flow | \$ (127) | \$ (66) |