

# NORDSTROM

## Nordstrom Reports Second Quarter Earnings Per Share of 67 Cents

August 17, 2006

SEATTLE, Aug. 17 /PRNewswire-FirstCall/ -- Nordstrom, Inc. (NYSE: JWN) today reported net earnings of \$178.8 million, or \$0.67 per diluted share, for the second quarter ended July 29, 2006. For the same period last year, net earnings were \$148.9 million, or \$0.53 per diluted share.

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

Total sales for the second quarter of 2006 increased 7.8 percent to \$2.3 billion, compared to sales of \$2.1 billion in the same period last year. Second quarter same-store sales increased 5.7 percent.

### Second Quarter Highlights

Net earnings increased 20.0 percent in the second quarter compared to the same quarter last year, reflecting steady improvement in merchandise execution, inventory productivity, and expense leverage, as well as a one-time Visa/Master card settlement gain. The company continues to focus on providing a differentiated shopping experience and achieving long-term profitable growth.

-- Same-store sales increased 5.7 percent for the quarter, higher than the company's one to three percent same-store sales plan. Regular price selling was strong during the quarter and the initial response to fall merchandise was favorable. The following full-line store merchandise divisions performed above the company's average: intimate apparel, accessories, designer apparel, and cosmetics. Also notable, same-store sales in the Rack division increased 11.6 percent.

-- Gross profit, as a percent of sales, increased 26 basis points. Overall merchandise margin improved versus the prior year. Better than planned sales results drove incremental leverage on buying and occupancy expenses.

-- The same-store sales increase combined with overall on-plan expenses resulted in a 64 basis point reduction in selling, general and administrative expenses on a percent to sales basis.

-- As a result of our adoption of SFAS No. 123(R), "Share-Based Payment," we recorded compensation expense of \$2.6 million in buying and occupancy costs and \$4.2 million in selling, general and administrative expenses.

-- The company received a one-time payment of \$5.6 million related to the Visa/MasterCard settlement gain, which was recorded in other income.

### Full Year Results

Year-to-date net earnings increased 22.3 percent to \$310.0 million for the period ended July 29, 2006, compared to net earnings of \$253.5 million for the same period last year. Earnings per diluted share for the same periods were \$1.15 and \$0.91, respectively.

Year-to-date total sales increased 7.9 percent to \$4.1 billion compared to prior year sales of \$3.8 billion. Same-store sales increased 5.6 percent.

### EXPANSION UPDATE

No new stores were opened during the second quarter. The company will open a new relocated store at the Westfield Topanga mall in Woodland Hills, Calif., on October 6th.

### SHARE REPURCHASE

Nordstrom repurchased approximately 9.7 million shares of its common stock during the second quarter for \$350.0 million. This reduction in weighted-average shares outstanding had a \$0.01 impact on diluted earnings per share for the quarter.

### 2006 OUTLOOK

For the fiscal year ending February 3, 2007, the company now anticipates diluted earnings per share in the range of \$2.31 to \$2.39, which includes an estimated expense of \$0.06 per diluted share from the adoption of SFAS No. 123(R) regarding expensing of stock options. For the third quarter, the company is planning low single digit same-store sales growth and earnings per share in the range of \$0.40 to \$0.45.

### CONFERENCE CALL INFORMATION:

Company management will be hosting a conference call and webcast to discuss second 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 800-348-3536. Interested parties may also access the call over the Internet by visiting the Investor Relations section of the company's corporate website 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 156 US stores located in 27 states. Founded in 1901 as a shoe store in Seattle, today Nordstrom operates 99 full-line stores, 49 Nordstrom Racks, five Faconnable boutiques, one free-standing shoe store, and two clearance stores. Nordstrom also operates 34 international Faconnable boutiques in Europe. Additionally, 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 3, 2007 and the third 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, 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-Q for the quarter ended July 29, 2006 to be filed with the SEC, 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 - 2nd Quarter  
(unaudited; amounts in thousands, except per share data and percentages)

	Quarter ended 7/29/06	% of sales(1) (except as indicated)	Quarter ended 7/30/05	% of sales(1) (except as indicated)
Net sales	\$2,270,468	100.0%	\$2,106,438	100.0%
Cost of sales and related buying & occupancy costs	(1,446,633)	(63.7%)	(1,347,515)	(64.0%)
Gross profit	823,835	36.3%	758,923	36.0%
Selling, general and administrative expenses	(579,552)	(25.5%)	(551,196)	(26.2%)
Operating income	244,283	10.8%	207,727	9.9%
Interest expense, net	(12,783)	(0.6%)	(10,904)	(0.5%)
Other income including finance charges, net	60,851	2.7%	44,970	2.1%
Earnings before income tax expense	292,351	12.9%	241,793	11.5%
Income tax expense	(113,597)	(38.9%)(2)	(92,875)	(38.4%)(2)
Net earnings	\$178,754	7.9%	\$148,918	7.1%
Earnings per share				
Basic	\$0.68		\$0.54	
Diluted	\$0.67		\$0.53	

ADDITIONAL DATA

Weighted average shares outstanding		
Basic	261,512	273,379
Diluted	266,226	279,169

(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 thousands, except per share data and percentages)

	Six Months ended 7/29/06	% of sales(1) (except as indicated)	Six Months ended 7/30/05	% of sales(1) (except as indicated)
Net sales	\$4,057,691	100.0%	\$3,760,912	100.0%
Cost of sales and related buying & occupancy costs	(2,569,636)	(63.3%)	(2,393,680)	(63.6%)
Gross profit	1,488,055	36.7%	1,367,232	36.4%
Selling, general and administrative expenses	(1,073,772)	(26.5%)	(1,016,618)	(27.0%)

Operating income	414,283	10.2%	350,614	9.3%
Interest expense, net	(23,534)	(0.6%)	(23,543)	(0.6%)
Other income including finance charges, net	114,689	2.8%	87,702	2.3%
Earnings before income tax expense	505,438	12.5%	414,773	11.0%
Income tax expense	(195,453)	(38.7%)(2)	(161,317)	(38.9%)(2)
Net earnings	\$309,985	7.6%	\$253,456	6.7%
Earnings per share				
Basic	\$1.17		\$0.93	
Diluted	\$1.15		\$0.91	

#### ADDITIONAL DATA

##### Weighted average

##### shares outstanding

Basic	264,501	273,225
Diluted	269,556	278,832

(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 thousands)

7/29/06    1/28/06    7/30/05

#### Assets

##### Current assets:

Cash and cash equivalents	\$280,197	\$462,656	\$462,875
Short-term investments	-	54,000	34,000
Accounts receivable, net	712,166	639,558	701,882
Investment in asset backed securities	354,348	561,136	515,596
Merchandise inventories	1,026,287	955,978	989,365
Current deferred tax assets	165,298	145,470	140,745
Prepaid expenses and other	67,452	55,359	50,101
Restricted cash	150,000	-	-
Total current assets	2,755,748	2,874,157	2,894,564
Land, buildings and equipment, net	1,750,304	1,773,871	1,771,492
Goodwill	51,714	51,714	51,714
Acquired tradename	84,000	84,000	84,000
Other assets	150,911	137,607	114,643
Total assets	\$4,792,677	\$4,921,349	\$4,916,413

#### Liabilities and Shareholders' Equity

##### Current liabilities:

Accounts payable	\$725,675	\$540,019	\$714,429
Accrued salaries, wages and related benefits	220,026	285,982	226,307
Other current liabilities	378,682	409,076	365,569
Income taxes payable	120,074	81,617	107,713
Current portion of long-term debt	307,463	306,618	4,840
Total current liabilities	1,751,920	1,623,312	1,418,858
Long-term debt, net	624,861	627,776	923,952
Deferred property incentives, net	356,111	364,382	355,197
Other liabilities	215,425	213,198	199,724
Shareholders' equity:			

Common stock, no par value:			
1,000,000 shares authorized;			
256,500, 269,549 and 273,683			
shares issued and outstanding	751,281	685,934	646,684
Unearned stock compensation	-	(327)	(550)
Retained earnings	1,095,181	1,404,366	1,365,888
Accumulated other comprehensive			
(loss) earnings	(2,102)	2,708	6,660
Total shareholders' equity	1,844,360	2,092,681	2,018,682
Total liabilities and			
shareholders' equity	\$4,792,677	\$4,921,349	\$4,916,413

NORDSTROM, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited; amounts in thousands)

	Six Months ended	Six Months ended	
	7/29/06	7/30/05	
Operating Activities			
Net earnings	\$309,985	\$253,456	
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of buildings and equipment	138,632	137,436	
Amortization of deferred property incentives and other, net	(16,280)	(15,664)	
Stock-based compensation expense	14,083	7,474	
Deferred income taxes, net	(31,632)	2,420	
Tax benefit of stock-based payments	18,092	26,872	
Excess tax benefit from stock-based payments	(15,109)	-	
Provision for bad debt expense	6,448	10,064	
Change in operating assets and liabilities:			
Accounts receivable	(78,971)	(67,230)	
Investment in asset backed securities	200,803	(94,112)	
Merchandise inventories	(79,747)	(71,717)	
Prepaid expenses	(11,809)	(71)	
Other assets	(1,262)	(1,936)	
Accounts payable	192,158	191,087	
Accrued salaries, wages and related benefits	(64,777)	(67,260)	
Other current liabilities	(29,356)	(938)	
Income taxes payable	38,457	(7,842)	
Property incentives	8,866	21,613	
Other liabilities	974	15,959	
Net cash provided by operating activities	599,555	339,611	
Investing Activities			
Capital expenditures	(115,720)	(131,384)	
Proceeds from sale of assets	128	-	
Purchases of short-term investments	(109,550)	(289,500)	
Sales of short-term investments	163,550	297,325	
Increase in restricted cash	(150,000)	-	
Other, net	(2,820)	(139)	
Net cash used in investing activities	(214,412)	(123,698)	
Financing Activities			
Principal payments on long-term debt	(2,312)	(98,650)	
Increase in cash book overdrafts	5,604	35,633	
Proceeds from exercise of stock options	24,700	55,413	
Proceeds from employee stock purchase plan	8,370	8,640	
Excess tax benefit from stock-based payments	15,109	-	
Cash dividends paid	(56,249)	(40,994)	
Repurchase of common stock	(562,921)	(73,913)	
Other, net	97	210	

Net cash used in financing activities	(567,602)	(113,661)
Net (decrease) increase in cash and cash equivalents	(182,459)	102,252
Cash and cash equivalents at beginning of period	462,656	360,623
Cash and cash equivalents at end of period	\$280,197	\$462,875

**SOURCE**

Nordstrom, Inc.  
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