

NORDSTROM

Nordstrom Reports Third Quarter Earnings Per Share Increase 33 Percent

November 20, 2006

SEATTLE, Nov. 20 /PRNewswire-FirstCall/ -- Nordstrom, Inc. (NYSE: JWN) today reported net earnings of \$135.7 million, or \$0.52 per diluted share, for the third quarter ended October 28, 2006. For the same period last year, net earnings were \$107.5 million, or \$0.39 per diluted share.

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

Total sales for the third quarter of 2006 increased 12.4 percent to \$1.9 billion, compared to sales of \$1.7 billion in the same period last year. Third quarter same-store sales increased 10.7 percent.

THIRD QUARTER HIGHLIGHTS

Net earnings increased 26.3 percent in the third quarter compared to the same quarter last year, primarily due to the company's improved execution of its merchandising strategy. The company continues to focus on providing customers with compelling merchandise and superior service.

* Same-store sales increased 10.7 percent for the quarter. All major merchandise categories performed above the company's low single digit growth plan. Results in intimate apparel, accessories, women's better and designer apparel exceeded the company's overall percentage increase. The company's Direct and Rack channels achieved double digit same-store sales increases.

* Gross profit as a percent of sales increased 156 basis points versus the prior year. Merchandise margin improved versus the prior year driven primarily by lower markdowns, particularly in women's apparel. Above plan sales results created incremental leverage on buying and occupancy expenses.

* Selling, general and administrative expenses as a percent to sales decreased 17 basis points versus the prior year. Total sales growth outpaced an increase in general and administrative expenses. Further rate improvement was held back by a rise in compensation costs linked to the price of the company's stock, which appreciated 38.4 percent in the quarter. This cost increase impacted the total SG&A expense rate by 64 basis points, and diluted earnings per share by \$0.03 for the quarter.

* As a result of the adoption of SFAS No. 123(R), "Share-Based Payment," the company recorded \$6.5 million in compensation expense, which resulted in a \$0.01 impact on diluted earnings per share for the quarter. Of the total expense, \$2.9 million was recorded in buying and occupancy and \$3.6 million was recorded in selling, general and administrative expenses.

YEAR-TO-DATE RESULTS

Year-to-date net earnings increased 23.5 percent to \$445.7 million for the three quarters ended October 28, 2006, compared to net earnings of \$360.9 million for the same period last year. Earnings per diluted share for the same periods were \$1.67 and \$1.30, respectively.

Year-to-date total sales increased 9.3 percent to \$5.9 billion compared to prior year sales of \$5.4 billion. Same-store sales increased 7.2 percent.

EXPANSION AND CAPITAL INVESTMENT UPDATE

Nordstrom opened its newly relocated store at Westfield Topanga Mall in Canoga Park, Calif., on October 6, 2006. The 213,000 square foot, three-level store features the company's most comprehensive designer offering in the country along with new design concepts, amenities and services.

The company opened a new 35,000 square foot Nordstrom Rack store at Grand Plaza in San Marcos, Calif., on November 16, 2006.

Nordstrom announced plans today to open three new stores and for one store relocation.

* In the spring of 2009, Nordstrom will open a newly relocated 140,000 square foot store at the Fashion Place, in Murray, Utah.

* In the fall of 2009, Nordstrom will open a new 140,000 square foot store at the Kenwood Towne Centre in Cincinnati, Ohio.

* In the spring of 2010, Nordstrom will open a new 140,000 square foot store at the St. Louis Galleria in St. Louis, Missouri.

* In the spring of 2011, Nordstrom will open a new 140,000 square foot store at the Christiana Mall in Wilmington, Delaware.

Nordstrom's board of directors recently approved the company's budget for capital expenditures for the 2007 through 2011 fiscal years. The total amount planned is for \$2.8 billion over the five years, with approximately 80% of the capital allocated to new stores, store relocations and store remodels.

SHARE REPURCHASE

Nordstrom repurchased approximately 896,000 shares of its common stock during the third quarter for \$32.6 million. This reduction in weighted-average shares outstanding had no material impact on diluted earnings per share for the quarter.

2006 OUTLOOK

For the 53 week fiscal year ending February 3, 2007, the company now anticipates diluted earnings per share in the range of \$2.46 to \$2.51, including an estimated expense of \$0.06 per diluted share for stock option compensation following the adoption of SFAS No. 123(R) at the beginning of this fiscal year. For the 14 week fourth quarter, the company is planning low single digit same-store sales growth and earnings per share in the range of \$0.79 to \$0.84. Under the 4-5-4 retail calendar, the 2006 fourth quarter and fiscal year include an additional week.

CONFERENCE CALL INFORMATION

Company management will be hosting a conference call and webcast to discuss third quarter results at 4:30 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 866-444-9038. 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 157 US stores located in 27 states. Founded in 1901 as a shoe store in Seattle, today Nordstrom operates 99 full-line stores, 50 Nordstrom Racks, five Faconnable boutiques, one free-standing shoe store, and two clearance stores. Nordstrom also operates 35 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 fourth 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 October 28, 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 - 3rd Quarter
 (unaudited; amounts in thousands, except per share data and percentages)

	% of Quarter ended 10/28/06	% of sales(1) (except as indicated)	% of Quarter ended 10/29/05	% of sales(1) (except as indicated)
Net sales	\$1,872,103	100.0%	\$1,666,130	100.0%
Cost of sales and related buying & occupancy costs	(1,160,123)	(62.0%)	(1,058,452)	(63.5%)
Gross profit	711,980	38.0%	607,678	36.5%
Selling, general and administrative expenses	(538,210)	(28.7%)	(481,768)	(28.9%)
Operating income	173,770	9.3%	125,910	7.6%
Interest expense, net	(11,419)	(0.6%)	(10,248)	(0.6%)
Other income including finance charges, net	58,819	3.1%	47,350	2.8%
Earnings before income tax expense	221,170	11.8%	163,012	9.8%
Income tax expense	(85,497)	(38.7%)(2)	(55,559)	(34.1%)(2)
Net earnings	\$135,673	7.2%	\$107,453	6.4%
Earnings per share				
Basic	\$0.53		\$0.40	
Diluted	\$0.52		\$0.39	

ADDITIONAL DATA

Weighted average shares outstanding		
Basic	256,757	271,599
Diluted	261,616	277,293

- (1) Subtotals and totals may not foot due to rounding.
 (2) Percent of earnings before income tax expense.

NORDSTROM, INC.
 CONSOLIDATED STATEMENTS OF EARNINGS - Year to Date
 (unaudited; amounts in thousands, except per share data and percentages)

	% of Nine Months ended 10/28/06	sales(1) (except as indicated)	% of Nine Months ended 10/29/05	sales(1) (except as indicated)
Net sales	\$5,929,794	100.0%	\$5,427,042	100.0%
Cost of sales and related buying & occupancy costs	(3,729,759)	(62.9%)	(3,452,132)	(63.6%)
Gross profit	2,200,035	37.1%	1,974,910	36.4%
Selling, general and administrative expenses	(1,611,982)	(27.2%)	(1,498,386)	(27.6%)
Operating income	588,053	9.9%	476,524	8.8%
Interest expense, net	(34,953)	(0.6%)	(33,791)	(0.6%)
Other income including finance charges, net	173,508	2.9%	135,052	2.5%
Earnings before income tax expense	726,608	12.3%	577,785	10.6%
Income tax expense	(280,950)	(38.7%)(2)	(216,876)	(37.5%)(2)
Net earnings	\$445,658	7.5%	\$360,909	6.7%
Earnings per share				
Basic	\$1.70		\$1.32	
Diluted	\$1.67		\$1.30	

ADDITIONAL DATA

Weighted average shares
outstanding

Basic	261,920	272,683
Diluted	266,893	278,399

(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)

	10/28/06	1/28/06	10/29/05
Assets			
Current assets:			
Cash and cash equivalents	\$208,715	\$462,656	\$205,943
Short-term investments	-	54,000	34,000
Accounts receivable, net	667,748	639,558	626,864
Investment in asset backed securities	313,656	561,136	509,759
Merchandise inventories	1,228,230	955,978	1,166,471
Current deferred tax assets, net	169,858	145,470	149,622
Prepaid expenses and other	65,711	55,359	53,451
Total current assets	2,653,918	2,874,157	2,746,110
Land, buildings and equipment, net	1,748,395	1,773,871	1,778,579
Goodwill	51,714	51,714	51,714
Acquired tradename	84,000	84,000	84,000
Other assets	170,355	137,607	129,130
Total assets	\$4,708,382	\$4,921,349	\$4,789,533
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable	758,402	540,019	683,137
Accrued salaries, wages and related benefits	253,440	285,982	235,137
Other current liabilities	385,767	409,076	365,872
Income taxes payable	42,970	81,617	47,850

Current portion of long-term debt	106,572	306,618	306,967
Total current liabilities	1,547,151	1,623,312	1,638,963
Long-term debt, net	624,631	627,776	626,978
Deferred property incentives, net	351,733	364,382	367,511
Other liabilities	223,262	213,198	206,980
Shareholders' equity:			
Common stock, no par value:			
1,000,000 shares authorized;			
256,904, 269,549 and 269,690			
shares issued and outstanding	791,678	685,934	663,810
Unearned stock compensation	-	(327)	(438)
Retained earnings	1,171,364	1,404,366	1,277,674
Accumulated other comprehensive (loss) earnings	(1,437)	2,708	8,055
Total shareholders' equity	1,961,605	2,092,681	1,949,101
Total liabilities and shareholders' equity	\$4,708,382	\$4,921,349	\$4,789,533

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

	Nine Months ended	Nine Months ended	
	10/28/06	10/29/05	
Operating Activities			
Net earnings	\$445,658	\$360,909	
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of buildings and equipment	205,816	204,496	
Amortization of deferred property incentives and other, net	(25,255)	(24,331)	
Stock-based compensation expense		25,075	7,672
Deferred income taxes, net	(49,755)	1,173	
Tax benefit of stock-based payments		29,691	31,281
Excess tax benefit from stock-based payments		(25,384)	-
Provision for bad debt expense		10,715	18,327
Change in operating assets and liabilities:			
Accounts receivable	(38,652)	(769)	
Investment in asset backed securities		242,204	(86,786)
Merchandise inventories	(235,623)	(250,441)	
Prepaid expenses	(10,092)	855	
Other assets	(4,203)	(6,079)	
Accounts payable	213,294	190,601	
Accrued salaries, wages and related benefits	(34,861)	(56,758)	
Other current liabilities	(22,559)	(2,099)	
Income taxes payable	(38,647)	(67,705)	
Deferred property incentives		13,779	41,891
Other liabilities	11,328	14,209	
Net cash provided by operating activities		712,529	376,446
Investing Activities			
Capital expenditures	(187,748)	(205,015)	
Purchases of short-term investments		(109,550)	(397,500)
Sales of short-term investments		163,550	405,325
Other, net	(6,380)	(6,404)	
Net cash used in investing activities		(140,128)	(203,594)
Financing Activities			
Proceeds from long-term borrowing		100,000	-
Principal payments on long-term debt		(306,465)	(99,769)
(Decrease) increase in cash book overdrafts		(21,511)	4,720
Proceeds from exercise of stock options		38,917	61,057

Proceeds from employee stock purchase plan	16,300	15,600
Excess tax benefit from stock-based payments	25,384	-
Cash dividends paid	(83,139)	(64,236)
Repurchase of common stock	(595,521)	(246,302)
Other, net	(307)	1,398
Net cash used in financing activities	(826,342)	(327,532)
Net decrease in cash and cash equivalents	(253,941)	(154,680)
Cash and cash equivalents at beginning of period	462,656	360,623
Cash and cash equivalents at end of period	\$208,715	\$205,943

SOURCE Nordstrom, Inc.

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