

NORDSTROM

Nordstrom Reports Second Quarter Earnings Per Share of 71 Cents

August 16, 2007

SEATTLE, Aug 16, 2007 /PRNewswire-FirstCall via COMTEX News Network/ -- Nordstrom, Inc. (NYSE: JWN) today reported net earnings of \$180.4 million, or \$0.71 per diluted share, for the second quarter ended August 4, 2007. For the same period last year, net earnings and earnings per diluted share were \$178.8 million and \$0.67, respectively. Earnings per diluted share in the second quarter increased 6.0 percent compared to the same quarter last year.

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

Total sales in the second quarter were \$2.39 billion, an increase of 5.2 percent compared to sales of \$2.27 billion during the same period in fiscal 2006. Second quarter same-store sales increased 5.9 percent.

The 53rd week in fiscal 2006 created a timing shift in the 4-5-4 calendar for fiscal 2007, which has 52 weeks. The second quarter in fiscal 2007 began and ended one week later than fiscal 2006. With the first week in May having higher sales than the first week in August, this timing shift negatively impacted sales results for the second quarter of 2007.

SECOND QUARTER HIGHLIGHTS

Sales growth and gross profit rate expansion resulted from continued improvement in the company's execution of its merchandising strategy. More than offsetting our enhanced sales and gross profit during the quarter were on-plan increases in operating expenses on a percent to sales basis versus the prior year.

-- Same-store sales increased 5.9 percent for the quarter, exceeding the company's low-single digit same-store sales plan. In July, the company's annual Anniversary sale event that brings in new fall season merchandise before the season begins posted a same-store sales increase of 7.9 percent in our full-line stores, the seventh consecutive year of positive same-store sales for the event, and the highest result over that time span. Half-yearly clearance events for women's, men's and kids' merchandise in June delivered on-plan low-single-digit same-store sales results. Merchandise categories with performance above the full-line store average for the quarter were designer apparel, accessories, and men's apparel. Same-store sales results in our online store exceeded our mid-teen planned growth rate.

-- Gross profit, as a percent of sales, increased 36 basis points compared to last year's second quarter. Improved sales and merchandise margin in women's, kids' and designer apparel contributed to gross profit rate expansion.

-- Selling, general and administrative expenses as a percent to sales increased 110 basis points versus the same period of the prior year. Fixed expenses during the second quarter generally performed as intended. Planned cross-company projects supporting our multi-channel integration effort resulted in higher expenses on a percent to sales basis than our more typical historical rates. In our credit business, provisions for bad debt increased approximately \$22 million versus last year. Approximately \$14 million of the bad debt reserve is non-comparable due to the new accounting treatment for co-branded Visa receivables. The remaining \$8 million of the incremental provision resulted from growth in both the Visa and proprietary card receivables ahead of plan, and from changes to assumed repayment rates versus last year.

-- In other income, the company recorded a gain on sale of approximately \$5.0 million for the disposal of an asset, which had a positive impact on earnings per diluted share of \$0.01.

EXPANSION UPDATE

In the third quarter of 2007, Nordstrom plans to open three new full-line stores:

- On September 7, 2007, a 144,000-square-foot store at the Natick Collection in Natick, Mass.;
- On September 28, 2007, a 165,000-square-foot store at the Twelve Oaks Mall in Novi, Mich.;
- On October 19, 2007, a 138,000-square foot-store in the Cherry Creek Shopping Center in Denver, Colo.

SHARE REPURCHASE

Nordstrom repurchased approximately 11.4 million shares of its common stock during the second quarter for \$590 million. This reduction in weighted-average shares outstanding had a \$0.01 positive impact on earnings per diluted share for the quarter.

2007 OUTLOOK

For the fiscal year ending February 2, 2008, the company anticipates earnings per diluted share in the range of \$2.91 to \$2.97, increased from the previous range of \$2.81 to \$2.90. Our outlook includes consideration for the effects of the timing shift in the 2007 4-5-4 calendar, the company's securitization transaction backed by the co-branded Visa and private label receivables, share repurchases, and other non-comparable items. Outlined in the table below are the anticipated relative effects on earnings per diluted share from non-comparable operating items expected for the remaining quarters of the 2007 fiscal year.

Updated full-year 2007 operating plan versus the prior year:

Fiscal 2007

Same-store Sales	5% to 6% increase
Gross Profit (%)	35 to 45 basis point increase
Selling, General and Admin. Expense (%)	20 to 30 basis point decrease
Interest Expense, net	\$10 to \$15 million increase
Other Income including Finance Charges	\$20 to \$30 million increase
Effective Tax Rate	38.5%
Earnings per Diluted Share	\$2.91 to \$2.97
Diluted Shares Outstanding	255 million
Prior Year Earnings per Diluted Share	\$2.55

Actual and planned performance for the quarters of fiscal 2007:

	First Quarter (Actual)	Second Quarter (Actual)	Third Quarter (Plan)(2)	Fourth Quarter (Plan)	Fiscal 2007 (Plan)(2)
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Same-store sales: 9.5% 5.9% 4% to 5% 2% to 3% 5% to 6%

Earnings per diluted share:

(a) Expected results from comparable operations:

	\$0.59	\$0.79	\$0.59 to \$0.62	\$1.04 to \$1.07	\$3.01 to \$3.07
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(b) Impact of

including non-

comparable events:

1. Securitization

transaction(1)	(\$0.01)	(\$0.03)	(\$0.02)	(\$0.01)	(\$0.06)
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2. 53rd week

timing shift &

calendar

	\$0.02	(\$0.03)	\$0.03	(\$0.02)	-
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3. 2006 Visa /

MasterCard

settlement	-	(\$0.02)	-	-	(\$0.02)
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4. 2006 53rd

week results	-	-	-	(\$0.02)	(\$0.02)
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Reported results

(combine a + b

above)

	\$0.60	\$0.71	\$0.61 to \$0.64	\$0.99 to \$1.02	\$2.91 to \$2.97
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(1) Notes on the \$850 million securitization transaction:

- With the completion of the securitization transaction, the company began a new accounting treatment for the co-branded Visa receivables and securitized debt, which is secured by both the co-branded Visa and private label receivables. In the first quarter, pre-existing co-branded Visa receivables totaling \$943 million were recorded on the balance sheet initially at fair value with no allowance for credit losses. Normal write-offs for uncollectible Visa receivables and other costs net, estimated at \$20 million, will be recorded in Other Income and Expenses over the eight month period following the transaction. This period is equal to the average repayment life of the acquired receivables. This expense activity is expected to reduce annual earnings per diluted share by \$0.05 and will be non-recurring in future periods beyond the 2007 fiscal year.
- Income and expenses from our co-branded Visa receivables that were previously reported net in Other Income and Expenses (under securitization accounting guidance) are reclassified in our earnings statement. In fiscal 2007, bad debt and write-off expense is expected

to increase approximately \$25 to \$35 million and impact the SG&A rate by 30 to 40 basis points, with an accelerated portion in the second quarter. Interest expense, partially offset by interest income, will increase approximately \$20 to \$25 million. Other income including finance charges will increase \$35 to \$45 million. The net combination of these expenses and income is anticipated to reduce annual earnings per diluted share by \$0.01.

(2) Notes on the pending sale of Faconnable:

-- Upon the sale of the Faconnable business, which is expected to close in the third quarter of 2007, the company anticipates realizing a gain on the sale. The anticipated impact to reported earnings per diluted share is \$0.08 to \$0.10, and is not included in our operating outlook for the third quarter and total year. The gain on the sale of Faconnable will be treated as a non-operating event.

THIRD QUARTER 2007 OUTLOOK

The timing shift from the fiscal 2006 53rd week is expected to have a positive impact on third quarter 2007 sales results.

When compared to the planned same-store sales rate of four to five percent for the 2007 third quarter, the monthly same-store sales rates in August and September are expected to be above the anticipated quarterly rate. In October, the planned same-store sales rate is expected to be below the anticipated quarterly rate.

For the third quarter of 2007, earnings per diluted share are expected in the range of \$0.61 to \$0.64, including a \$0.01 positive impact from the non-comparable items described in the performance table earlier and excluding the anticipated gain on the sale of Faconnable.

CONFERENCE CALL INFORMATION:

Company management will be hosting a conference call and webcast to discuss first 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 866-498-1469. Interested parties may also access the call over the Internet by visiting the Investor Relations section of the company's corporate Web site 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 98 full-line stores, 50 Nordstrom Racks, four Faconnable boutiques in the United States, two Jeffrey boutiques, one free-standing shoe store, and two clearance stores. Nordstrom also operates 37 Faconnable boutiques in Europe. In addition, 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 2, 2008 and our third and fourth quarters, anticipated monthly, quarterly and annual same-store sales rates, anticipated store openings, trends in company operations, and the anticipated closing of the sale of the Faconnable business and its impact on our earnings. Actual future results and trends may differ materially from historical results or current expectations depending upon factors including, but not limited to, our ability to respond to the business environment and fashion trends, effective inventory management, the impact of economic and competitive market forces, successful execution of our store growth strategy including the timely completion of construction associated with newly planned stores, our 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 our multi-channel strategy, our ability to safeguard our brand and reputation, efficient and proper allocation of our capital resources, successful execution of our technology strategy, the impact of terrorist activity or war on our customers and the retail industry, trends in personal bankruptcies and bad debt write-offs, changes in interest rates, our ability to maintain our relationships with our employees, our ability to control costs, weather conditions and hazards of nature and the timing and amounts of share repurchases by the company. Our SEC reports, including our Form 10-K for the fiscal year ended February 3, 2007, 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 % of sales(1) Quarter % of sales(1)

	ended 8/4/07	(except as indicated)	ended 7/29/06	(except as indicated)
Net sales	\$2,389,498	100.0%	\$2,270,468	100.0%
Cost of sales and related buying & occupancy costs	(1,513,920)	(63.4%)	(1,446,633)	(63.7%)
Gross profit	875,578	36.6%	823,835	36.3%
Selling, general and administrative expenses	(636,134)	(26.6%)	(579,552)	(25.5%)
Operating income	239,444	10.0%	244,283	10.8%
Interest expense, net	(16,811)	(0.7%)	(12,783)	(0.6%)
Other income including finance charges, net	70,316	2.9%	60,851	2.7%
Earnings before income tax expense	292,949	12.3%	292,351	12.9%
Income tax expense	(112,519)	(38.4%)(2)	(113,597)	(38.9%)(2)
Net earnings	\$180,430	7.6%	\$178,754	7.9%
Earnings per share				
Basic	\$0.72		\$0.68	
Diluted	\$0.71		\$0.67	

ADDITIONAL DATA

Weighted average shares outstanding		
Basic	251,022	261,512
Diluted	255,354	266,226

(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 8/4/07	% of sales(1)	Quarter ended 7/29/06	% of sales(1)
	(except as indicated)		(except as indicated)	
Net sales	\$4,343,370	100.0%	\$4,057,691	100.0%
Cost of sales and related buying & occupancy costs	(2,728,672)	(62.8%)	(2,569,636)	(63.3%)
Gross profit	1,614,698	37.2%	1,488,055	36.7%
Selling, general and administrative expenses	(1,170,148)	(26.9%)	(1,073,772)	(26.5%)
Operating income	444,550	10.2%	414,283	10.2%
Interest expense, net	(24,023)	(0.6%)	(23,534)	(0.6%)
Other income including finance charges, net	126,167	2.9%	114,689	2.8%
Earnings before income tax expense	546,694	12.6%	505,438	12.5%
Income tax expense	(209,467)	(38.3%)(2)	(195,453)	(38.7%)(2)
Net earnings	\$337,227	7.8%	\$309,985	7.6%
Earnings per share				
Basic	\$1.33		\$1.17	
Diluted	\$1.30		\$1.15	

ADDITIONAL DATA

Weighted average shares outstanding

Basic	254,485	264,501
Diluted	259,059	269,556

(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)

	8/4/07	2/3/07	7/29/06
Assets			
Current assets:			
Cash and cash equivalents	\$179,033	\$402,518	\$280,150
Accounts receivable, net	1,802,485	662,447	702,536
Investment in asset backed securities	-	428,175	354,348
Merchandise inventories	1,053,342	962,245	985,667
Current deferred tax assets	178,483	169,320	165,298
Prepaid expenses and other	65,795	53,459	60,445
Restricted cash	-	-	150,000
Assets held for sale	228,702	219,856	212,176
Total current assets	3,507,840	2,898,020	2,910,620
Land, buildings and equipment, net	1,822,499	1,736,105	1,728,034
Goodwill	52,926	24,177	24,177
Other assets	182,287	163,276	129,846
Total assets	\$5,565,552	\$4,821,578	\$4,792,677

Liabilities and Shareholders' Equity

Current liabilities:			
Accounts payable	\$777,162	\$554,981	\$710,391
Accrued salaries, wages and related benefits	217,379	333,309	213,723
Other current liabilities	438,427	424,215	369,024
Income taxes payable	79,706	76,089	120,068
Current portion of long-term debt	8,201	6,795	307,419
Liabilities related to assets held for sale	40,047	42,232	35,546
Total current liabilities	1,560,922	1,437,621	1,756,171
Long-term debt, net	1,492,055	623,652	624,861
Deferred property incentives, net	356,476	355,579	355,597
Other liabilities	250,132	236,205	211,688
Shareholders' equity:			
Common stock, no par value: 1,000,000 shares authorized; 247,549, 257,313 and 256,500 shares issued and outstanding	892,046	826,421	751,281
Retained earnings	1,025,354	1,350,680	1,095,181
Accumulated other comprehensive loss	(11,433)	(8,580)	(2,102)
Total shareholders' equity	1,905,967	2,168,521	1,844,360
Total liabilities and			

shareholders' equity \$5,565,552 \$4,821,578 \$4,792,677

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

	Six Months ended	Six Months ended	
	8/4/07	7/29/06	
Operating Activities			
Net earnings	\$337,227	\$309,985	
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of buildings and equipment	137,197	138,632	
Amortization of deferred property incentives and other, net	(21,465)	(16,280)	
Stock-based compensation expense	14,163	14,083	
Deferred income taxes, net	(27,245)	(31,632)	
Tax benefit of stock-based payments	18,156	18,092	
Excess tax benefit from stock-based payments	(17,287)	(15,109)	
Provision for bad debt expense	41,688	6,448	
Change in operating assets and liabilities:			
Accounts receivable	(1,177,781)	(78,971)	
Investment in asset backed securities	420,387	200,803	
Merchandise inventories	(115,076)	(79,747)	
Prepaid expenses	(8,910)	(11,809)	
Other assets	(24,984)	(1,232)	
Accounts payable	135,478	192,158	
Accrued salaries, wages and related benefits	(113,604)	(64,777)	
Other current liabilities	7,609	(29,356)	
Income taxes payable	15,753	38,457	
Property incentives	26,378	8,866	
Other liabilities	(588)	974	
Net cash (used in) provided by operating activities	(352,904)	599,585	
Investing Activities			
Capital expenditures	(221,958)	(115,720)	
Proceeds from sale of assets	11,959	128	
Purchases of short-term investments	-	(109,550)	
Sales of short-term investments	-	163,550	
Increase in restricted cash	-	(150,000)	
Other, net	4,202	(2,820)	
Net cash used in investing activities	(205,797)	(214,412)	
Financing Activities			
Proceeds from LT borrowings	1,000,000	-	
Principal payments on long-term debt	(152,295)	(2,312)	
Increase in cash book overdrafts	102,357	5,604	
Proceeds from exercise of stock options	21,640	24,700	
Proceeds from employee stock purchase plan	8,919	8,370	
Excess tax benefit from stock-based payments	17,287	15,109	
Cash dividends paid	(69,592)	(56,249)	
Repurchase of common stock	(589,999)	(562,921)	
Other, net	(3,101)	97	
Net cash provided by (used in) financing activities	335,216	(567,602)	
Net decrease in cash and cash equivalents	(223,485)	(182,429)	
Cash and cash equivalents at beginning of period	402,518	462,579	
Cash and cash equivalents at end of period	\$ 179,033	\$ 280,150	

SOURCE Nordstrom, Inc.

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<http://www.nordstrom.com>