

DEAR CUSTOMERS, EMPLOYEES AND SHAREHOLDERS,

Since we first opened our doors in 1901, our priority has been to provide customers with outstanding service and the best merchandise through a shopping experience that is relevant, accessible and aspirational. Whether serving customers on the sales floor or behind the scenes, this is possible through our efforts in attracting and retaining the best talent—those who are owners at heart, curious, customer-obsessed, here to win and who extend themselves to each other and our customers every day.

We are proud of our progress and growth, but we know we have more to do as we continue to focus on serving customers no matter how they choose to shop. We have a business model that enables us to serve customers through our digital and physical assets. Our strategy of providing a differentiated product offering, delivering exceptional services and experiences, and leveraging our brand resulted in several wins in 2018.



2018 AT A GLANCE



**10 CONSECUTIVE
YEARS OF \$1B+**

annual operating cash flow



35M CUSTOMERS

~10M shop multiple channels



56% OF SALES

generated by Nordy Club members



7M NEW CUSTOMERS

introduced through Off-Price

Highlights from 2018:

WE SAW CONTINUED SALES AND MARKET-SHARE GROWTH

Our generational investments—which include Nordstrom NYC, Canada, Nordstromrack.com/ HauteLook and Trunk Club—continue to scale, contributing nearly \$2 billion in sales with improvement in profitability. Nordstromrack.com/ HauteLook became our fastest business to reach \$1 billion in sales, while digital sales increased 16% and comprised 30% of total sales for the year.

WE SERVED MORE CUSTOMERS THAN EVER BEFORE

This year our customer base grew to 35 million—a 6% year-over-year increase. Nearly 10 million of those customers shop across multiple businesses, which generally leads to an increase in spend. In fact, when customers interact with all our businesses, trips increase 13 times and spend increases 11 times. Finally, our Off-Price business continues to drive acquisition and attracted 7 million new customers in 2018. Roughly one-third of Off-Price customers will shop in Full-Price within a year.

OUR ENGAGEMENT WITH CUSTOMERS DELIVERED RESULTS

This year we enhanced our loyalty program, The Nordy Club, and expanded our local market strategy to deepen our engagement with customers. The Nordy Club grew to more than 11 million members and generated 56% of total sales in 2018—and we're excited to bring even more exclusive events and first-to-shop opportunities to our members. We also opened two new Nordstrom Local stores as we expanded our local market strategy in Los Angeles, which drove outsized market-share gains in that market.

Our industry is rapidly changing, and we have kept pace through critical investments in people, technology and physical spaces. We continuously evolve the way we do business to ensure we are meeting our customers' needs in new and relevant ways. Because of this, we have built a business model that is a key point of difference in the market. It enables us to serve customers across multiple touchpoints—through stores, online, Full-Price and Off-Price, all of which increase engagement and spend.

While we believe we have the right strategies in place, we planned 2018 as the inflection point for improved profitability, and we missed this objective. We're focused on getting back on track to achieve our long-term financial targets through our levers around inventory and expense. Above all, our number-one goal remains focused on improving service for customers so that people feel even better about the time they spend with us.

ERIK B. NORDSTROM

Co-President

PETER E. NORDSTROM

Co-President

