

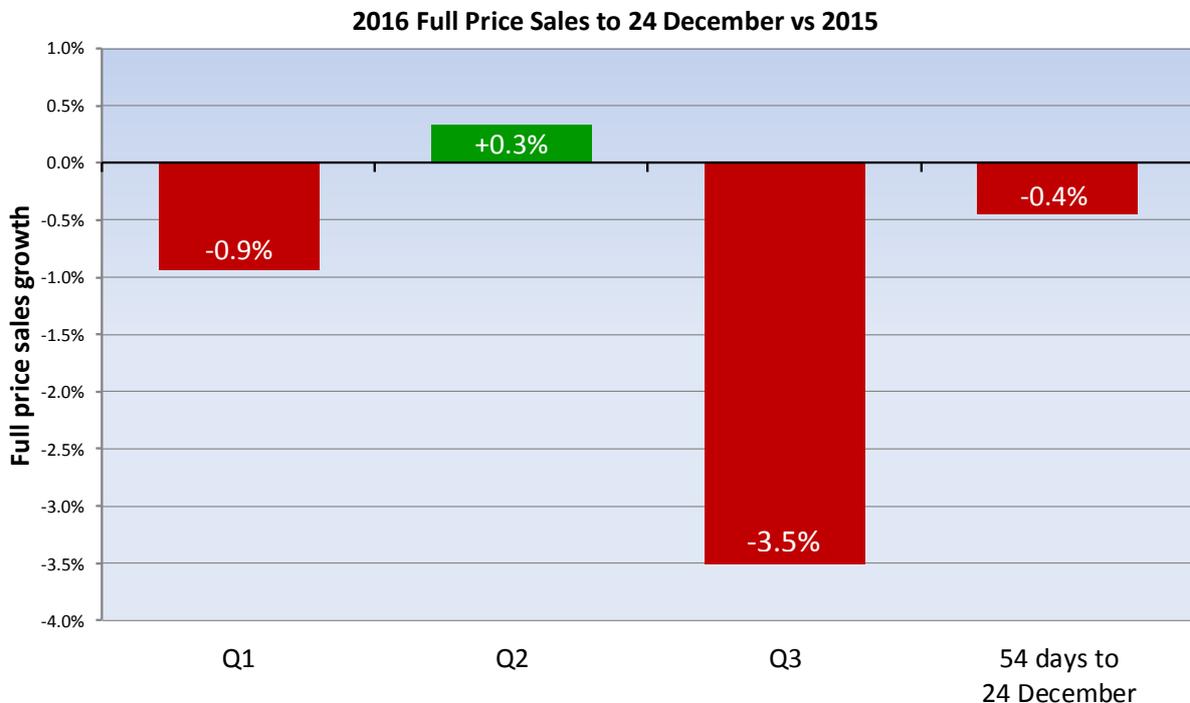
Trading Statement – 4 January 2017

SALES FOR THE YEAR TO 24 DECEMBER 2016

Sales for the Fourth Quarter

NEXT Brand full price sales in the 54 days from Tuesday 1 November to Saturday 24 December were down -0.4%. Sales performance in the fourth quarter improved on the third quarter and was better than the run rate for the full year. However, we were expecting sales in the fourth quarter to grow on the previous year, as the comparative numbers in 2015 were poor.

Sales by quarter are set out in the graph below.



Sales for the Year to Date

Total sales, including markdown sales, for the year to date are up +0.4% on last year. Full price sales for the year to date are down -1.1% on last year. For comparison, the table below sets out full price sales for the 54 days to 24 December and year to date for Retail and Directory. Within NEXT Directory's year to date growth of +3.6%, NEXT UK (including Label) was up +1.4% and Overseas was up +18% on last year.

Full Price Sales (VAT exclusive)	54 days to 24 Dec	Year to 24 Dec
NEXT Retail	- 3.5%	- 4.3%
NEXT Directory	+5.1%	+3.6%
NEXT Total	- 0.4%	- 1.1%
<i>Of which sales from new space</i>		<i>1.4%</i>

Profit and EPS Guidance for the Current Year

Despite a difficult season, stock for our end-of-season Sale was well controlled and down -3% on last year. However, sales in the end-of-season Sale are down -7% on last year; the cost of the lower clearance rates is in the order of £3m. Our revised central guidance for full year Group profit is £792m, this may increase or decrease by £7m depending on trade in January. The table below sets out our central guidance for the full year to January 2017.

Full Year Estimate Year to January 2017 (52 week basis)	Central Guidance	Previous Guidance	
		Lower	Upper
Total full price sales versus last year	- 1.0%	- 1.75%	+1.25%
Group profit before tax	£792m	£785m	£825m
Group profit before tax versus last year	- 3.6%	- 4.4%	+0.5%
Earnings per share growth versus last year	- 0.6%	- 1.3%	+3.7%

OUTLOOK FOR THE YEAR AHEAD

The year ahead looks set to be another challenging year; therefore we are preparing the Company for tougher times and have set our full price sales budget accordingly.

Outlook for Sales 2017/18

The fact that sales continued to decline in quarter four, beyond the anniversary of the start of the slowdown in November 2015, means that we expect the cyclical slow-down in spending on clothing and footwear to continue into next year. In addition to this effect, there are two further factors which may depress sales:

- We may see a further squeeze in general spending as inflation begins to erode real earnings growth.
- As previously indicated, following the devaluation of the Pound, we expect prices on like-for-like garments to rise, but by no more than 5%. We expect that this will depress sales revenue by around 0.5%.

In these circumstances, we are budgeting for NEXT Brand full price sales growth (at constant currency) in the year to January 2018 to be between -4.5% and +1.5%. The mid-point of this range is -1.5%, which is marginally worse than the current year's performance.

Overseas sales will be boosted by the devaluation of the Pound which means that we expect total reported full price sales to be around +1% better than the constant currency numbers detailed above.

Outlook for Costs 2017/18

In the year ahead we face a number of inflationary pressures in our cost base. The National Living Wage, the national business rates revaluation, Apprenticeship Levy and energy taxes will add around £13m to our cost base. General inflation in wages and other non-product costs look set to increase by an additional £6m. In addition we intend to add around £10m to our cost base in order to improve our website systems and online marketing.

Sales and Profit Guidance Ranges 2017/18

The table below sets out our guidance range for sales and profits in the year ahead.

Full Year Estimate

Year to January 2018

	Lower	Upper
Total full price sales versus 2016/17 (at constant currency)	- 4.5%	+1.5%
Total full price sales versus 2016/17 (including currency gain)	- 3.5%	+2.5%
Group profit before tax	£680m	£780m
Change in profit before tax versus 2016/17	- 14%	- 2%

Cash Flow and Returns to Shareholders

For the full year ending January 2017, we expect underlying surplus operational cash flow (after capital expenditure, interest, tax and ordinary dividends) to be around £340m.

Looking to the year ahead, we expect the Company to continue to be strongly cash generative, with surplus cash from operations of between £255m and £345m. We will maintain our policy of returning surplus cash to shareholders.

In the light of the exceptional levels of uncertainty in the clothing sector and with little visibility of the approach the UK government will be taking to Brexit, we have reviewed our approach to the distribution of surplus cash. We believe that in these circumstances it makes sense to give some additional certainty to shareholders over cash distributions.

We therefore intend to return surplus cash to shareholders by way of four quarterly special dividends of 45p each. This broadly represents the cash we would generate at the lower end of our guidance. We intend to pay the first special dividend at the beginning of May 2017. Of course, this plan is subject to the outlook remaining in line with our forecast ranges and no significant changes to market conditions.

Financial Resilience

NEXT is well placed to weather a downturn in consumer demand. Our balance sheet remains robust and our net debt is forecast to close the current year at around £850m, this is more than covered by the value of our Directory debtor book which will be approximately £1bn at the end of January 2017. NEXT is securely financed through a combination of bonds (£875m) and committed bank facilities (£525m), as set out in the table below.

	£m	£m
2021 Bond	325	
2026 Bond	250	
2028 Bond	300	
Total bond financing		875
Bank facility 2020	285	
Bank facility 2021	240	
Total bank facilities		525
Total financing		1,400

We are scheduled to announce our results for the full year on Thursday 23 March 2017.

Forward Looking Statements

Certain statements in this Trading Update are forward looking statements. These statements may contain the words “anticipate”, “believe”, “intend”, “aim”, “expects”, “will”, or words of similar meaning. By their nature, forward looking statements involve risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by those statements. As such, undue reliance should not be placed on forward looking statements. Except as required by applicable law or regulation, NEXT plc disclaims any obligation or undertaking to update these statements to reflect events occurring after the date these statements were published.