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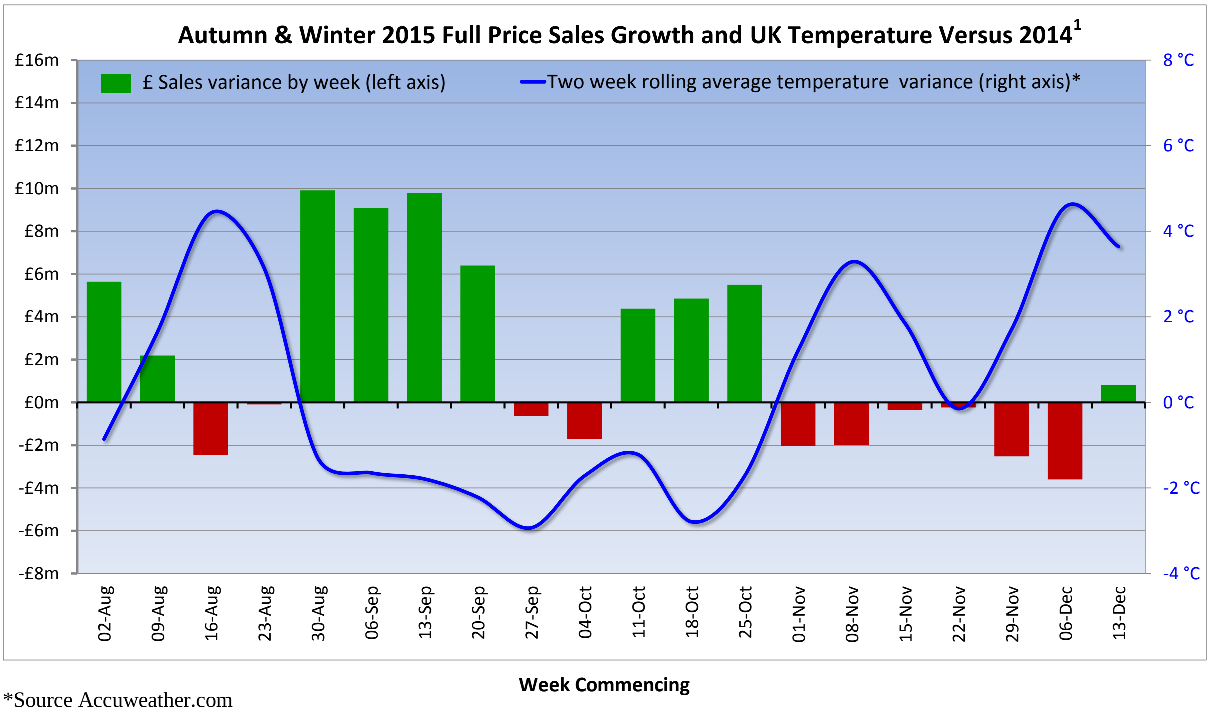
Trading Statement
5 January 2016

SALES PERFORMANCE TO 24 DECEMBER 2015

NEXT Brand full price sales in the 60 days from Monday 26 October to Thursday 24 December were up +0.4%. NEXT did not discount stock at any time before our End of Season Sale, so gross margins were maintained. Stock for the End of Season Sale was -7% lower than last year and clearance rates are broadly in line with last year. The table below sets out full price sales growth for the Christmas trading period and, for comparison, the year to date.

Full price sales growth (VAT exclusive)	**26 October to 24 December**	**Year to 2 January**
NEXT Retail	- 0.5%	+2.1%
NEXT Directory	+2.0%	+6.1%
NEXT Brand Total	**+0.4%**	**+3.7%**
Of which sales from new space	*+1.5%*	*+1.6%*

We believe that the disappointing performance in the fourth quarter was mainly down to the unusually warm weather in November and December. The graph below shows the correlation between our sales performance and the year-on-year difference in temperature during the second half. The blue line shows the difference between the temperature this year and last, the bars show the sales growth for the NEXT Brand.



*Source Accuweather.com

Whilst warm weather may have been the main reason for a difficult fourth quarter, we would not want to allow difficult trading conditions to mask any mistakes and challenges faced by the business. Specifically, we believe that NEXT Directory's disappointing sales were compounded by poor stock availability from October onwards. In addition, the online competitive environment is getting tougher as industry-wide service propositions catch up with the NEXT Directory.

FULL PRICE SALES, PROFIT AND EPS GUIDANCE FOR THE FULL YEAR

Full price sales for the year to date are currently +3.7% ahead of last year, just below the bottom end of our previous guidance of +4.0% to +6.0%. However, good control of margins, costs and stock, along with healthy clearance rates means that we expect profits for the full year to remain within our profit guidance of £810m to £845m, issued in October.

Our revised central forecast for full year Group Profit is now £817m, though this might increase or decrease by £7m depending on trade in January. £817m would represent an increase of +4.4% on last year. The table below sets out our central guidance for total shareholder returns for the full year to January 2016.

Full Year Estimates **Year to January 2016 (52 week basis)**	**Central** **Guidance**
Group profit before tax	£817m
Group profit before tax growth	**+4.4%**
Earnings per share growth	+4.8%
Ordinary dividend yield [2]	2.2%
Special dividend yield [2]	3.3%
Total Shareholder Returns [3]	**10.3%**

The guidance in the table above is based on 52 weeks for the years ending January 2015 and 2016. The current financial year will actually be the 53 weeks to 30 January 2016 and we estimate the additional week will add £15m to profit before tax.

OUTLOOK FOR SALES AND PROFIT IN THE YEAR AHEAD

We are currently budgeting for NEXT Brand full price sales growth in the year to January 2017 to be between +1.0% and +6.0%. We expect profits to grow in line with sales. The guidance is based on comparing 52 weeks for the years ending January 2016 and January 2017.

CASH FLOW, BUYBACKS AND SPECIAL DIVIDENDS

At the beginning of the year we set out our intention to return surplus cash to shareholders through special dividends or share buybacks. Throughout the year our share price has consistently traded above the Company's internal share buyback price limit, so surplus cash has been returned to shareholders through four special dividends amounting to £2.30 per share in total.

For the full year ending January 2016, we expect underlying surplus operational cash flow (after capital expenditure, interest, tax, and ordinary dividends) to be £377m. This excludes £15m from the 53rd week, £8m proceeds from the disposal of Cotton Traders and £214m funding for the exceptional increase in Directory debt. Year end net debt is therefore forecast to be around £670m. A simplified cash flow forecast for the current year is set out in the table below:

Year end net debt January 2015		**- £515m**
Surplus cash from operations (e)	+£377m	
Cash flow 53rd week and from disposal of Cotton Traders (e)	+£23m	
Special dividends	- £341m	
Funding for exceptional Directory debt (e)	- £214m	
Forecast net debt January 2016 (e)		**- £670m**

Looking to the year ahead, we expect the Company to continue to be strongly cash generative, with surplus cash from operations in the order of £370m. Since declaring our last special dividend, we have not bought any shares for cancellation. The Board has therefore decided to declare a further special dividend of 60p per share, which represents approximately one quarter of the surplus cash we expect to generate in the year ending January 2017. This will be paid on 1 February 2016 to shareholders on the register at 15 January, with an ex-dividend date of 14 January.

Our share price limit for share buybacks going forward is maintained at £69.62. This is based on the lower end of our profit guidance for the year ahead and an investment hurdle of 8% Equivalent Rate of Return.

We are scheduled to announce our results for the full year on Thursday 24 March 2016.

END

1 The first and the last week of the second half of the year have been excluded from the graph because they are distorted by the fact that Christmas fell a day later this year, on a Friday. In week commencing 20 December, which includes an extra day, sales grew by £19m on last year. In week commencing 26 July, which excludes the first day of the week to compensate for the extra day in December, sales reduced by £2.5m on last year.

2 Dividend yield is based on dividends expected to be declared for the current year. Yields are expressed as a percentage of our average share price during the first month of this financial year, which was £72.33.

3 Total Shareholder Returns are defined as growth in EPS added to the total annual dividend yield.