

NEXT PLC

John Barton, Chairman

Simon Wolfson, CEO

David Keens, Finance Director

Results

Half Year Ended

July 2006

Income Statement

| £m | 2006 | 2005 | Increase |
|-------------------|----------------|----------------|----------|
| TURNOVER | <u>1,510.5</u> | <u>1,396.8</u> | +8.1% |
| OPERATING PROFIT | 191.7 | 181.2 | +5.8% |
| Interest | <u>(12.8)</u> | <u>(8.6)</u> | |
| PROFIT BEFORE TAX | 178.9 | 172.6 | +3.6% |
| Taxation | <u>(54.9)</u> | <u>(52.7)</u> | |
| PROFIT AFTER TAX | <u>124.0</u> | <u>119.9</u> | |
| EPS | 53.3p | 47.9p | +11.3% |

Interest 06 v 05
+49%

Balance Sheet

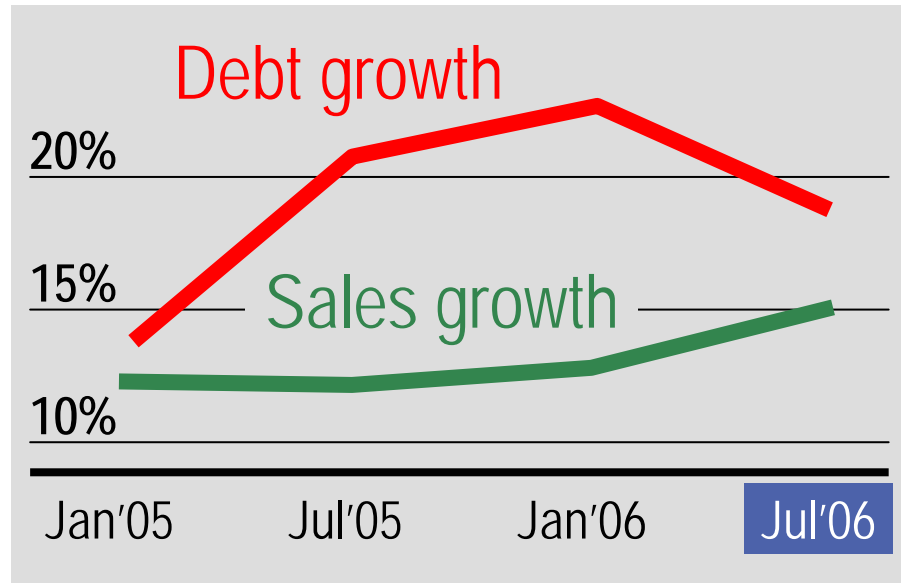
| £m | 2006 | 2005 | |
|--------------------------|-------|-------|-------|
| Fixed assets | 537 | 475 | |
| Goodwill | 36 | 36 | |
| Stocks | 339 | 327 | +3.8% |
| Debtors | 519 | 470 | |
| Creditors | (668) | (587) | |
| Pension fund deficit | (85) | (91) | |
| Contingent buybacks | (113) | (29) | |
| Net borrowings | (660) | (354) | |
| | <hr/> | <hr/> | |
| NET (LIABILITIES)/ASSETS | (95) | 247 | |
| | <hr/> | <hr/> | |

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| NET (LIABILITIES)/ASSETS | (95) |

Directory Debt

| | July 05 | July 06 |
|----------------|---------|---------|
| Debt | £321m | £382m |
| Debt increase | | +19% |
| Sales increase | | +15% |

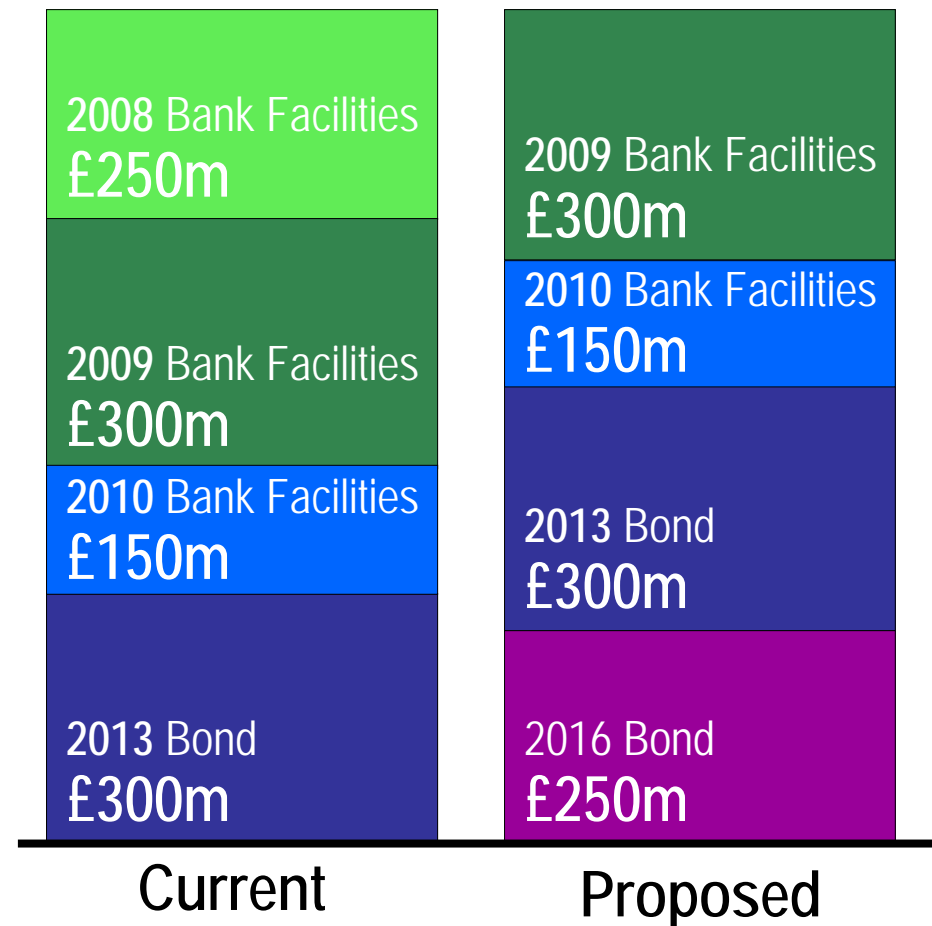


Balance Sheet

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| <hr/> | |
| NET (LIABILITIES)/ASSETS | (95) |
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Debt Funding of £1bn

New £250m Bond planned for October



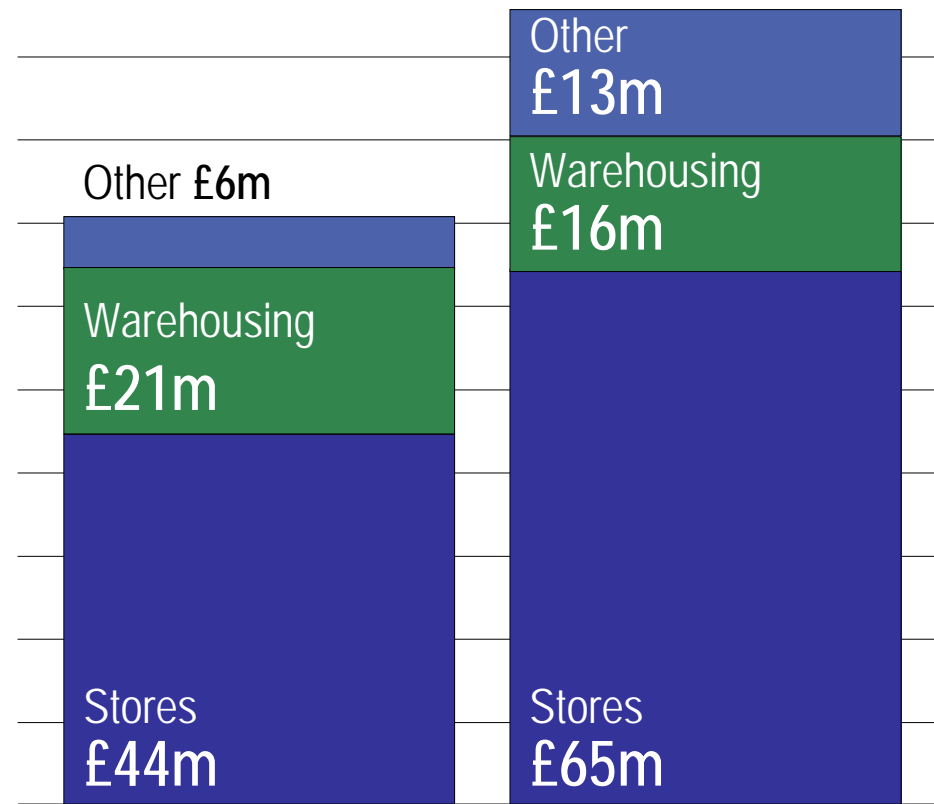
Cash Flow

| £m | 2006 |
|------------------------|-------|
| Profit before tax | 179 |
| Depreciation/Disposals | 50 |
| Capital expenditure | (71) |
| Working capital/Other | (37) |
| Dividends paid | (70) |
| Tax paid | (59) |
| ESOT | (9) |
| Share buyback | (279) |
| NET CASH FLOW | (296) |

Capital Expenditure

2006 £71m

2005 £94m



Cash Flow

| £m | 2006 |
|------------------------|-------------|
| Profit before tax | 179 |
| Depreciation/Disposals | 50 |
| Capital expenditure | (71) |
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| | <hr/> |
| NET CASH FLOW | (296) |
| | <hr/> <hr/> |

2008/9 Warehousing

| | |
|----------------------|--------------|
| Palletised | 1.9m sq. ft. |
| Boxed | 1.1m sq. ft. |
| Total cost | £61m |
| Capital contribution | - £22m |
| Tax credit | - £12m |
| Net cash cost | £27m |

Next Retail

Financial Performance

Retail

Directory

Franchise

Sourcing

Ventura

Other



Next Retail

Financial Performance

| Retail | £m | 2006 | 2005 | |
|-----------|--------------------|---------|-------|--------|
| Directory | Turnover (exc VAT) | 1,029.7 | 989.4 | +4.1% |
| Franchise | Operating profit | 111.1 | 120.6 | - 7.9% |
| Sourcing | % to sales | 10.8% | 12.2% | |
| Ventura | | | | |
| Other | | | | |

SALES ANALYSIS

| | | |
|--------------------------------|--------|--------|
| Net sales from new space | +11.6% | |
| Underlying like for like sales | - 7.5% | - 6.6% |
| Total sales | +4.1% | |



Cost Controls

THREATS

Energy

Rates

Rent (-ve LFL)

Depreciation (-ve LFL)

OPPORTUNITIES

Gross margin

Branch wages

Warehouse wages

Directory distribution

Call centres

Next Retail

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MARGIN ANALYSIS

| | |
|-----------------------|--------|
| Bought in gross | +1.4% |
| Markdown/Obsolescence | - 0.6% |
| Branch payroll | - 0.5% |
| Central overheads | +0.2% |
| Branch occupancy | - 1.9% |



Next Retail

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| Ventura | | | | |
| Other | | | | |

MARGIN ANALYSIS

| | | |
|------------------|--------|-------|
| Branch occupancy | - 1.9% | |
| Depreciation | - 0.7% | £7.3m |
| Rent | - 0.6% | £6.7m |
| Rates/Service | - 0.4% | £4.3m |
| Energy | - 0.2% | £2.7m |



Next Retail

Space Expansion

| Retail | £m | Stores | Sq. Ft. | |
|-----------|--------------|------------|--------------|------|
| Directory | July 2005 | 411 | 3,764 | |
| Franchise | | | | |
| Sourcing | January 2006 | 439 | 4,309 | |
| Ventura | | | | |
| Other | New | 22 | 227 | |
| | Re-sites (4) | | 19 | |
| | Closed | (4) | (16) | |
| | July 2006 | <u>457</u> | <u>4,539</u> | +21% |



Next Retail

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| Franchise | July 2006 | 457 | 4,539 | +21% |
| Sourcing | | | | |
| Ventura | | | | |
| Other | | | | |

SPACE EXPANSION

Net sales post deflection v target
+ 0.2%

Forecast payback on net capital
17 months

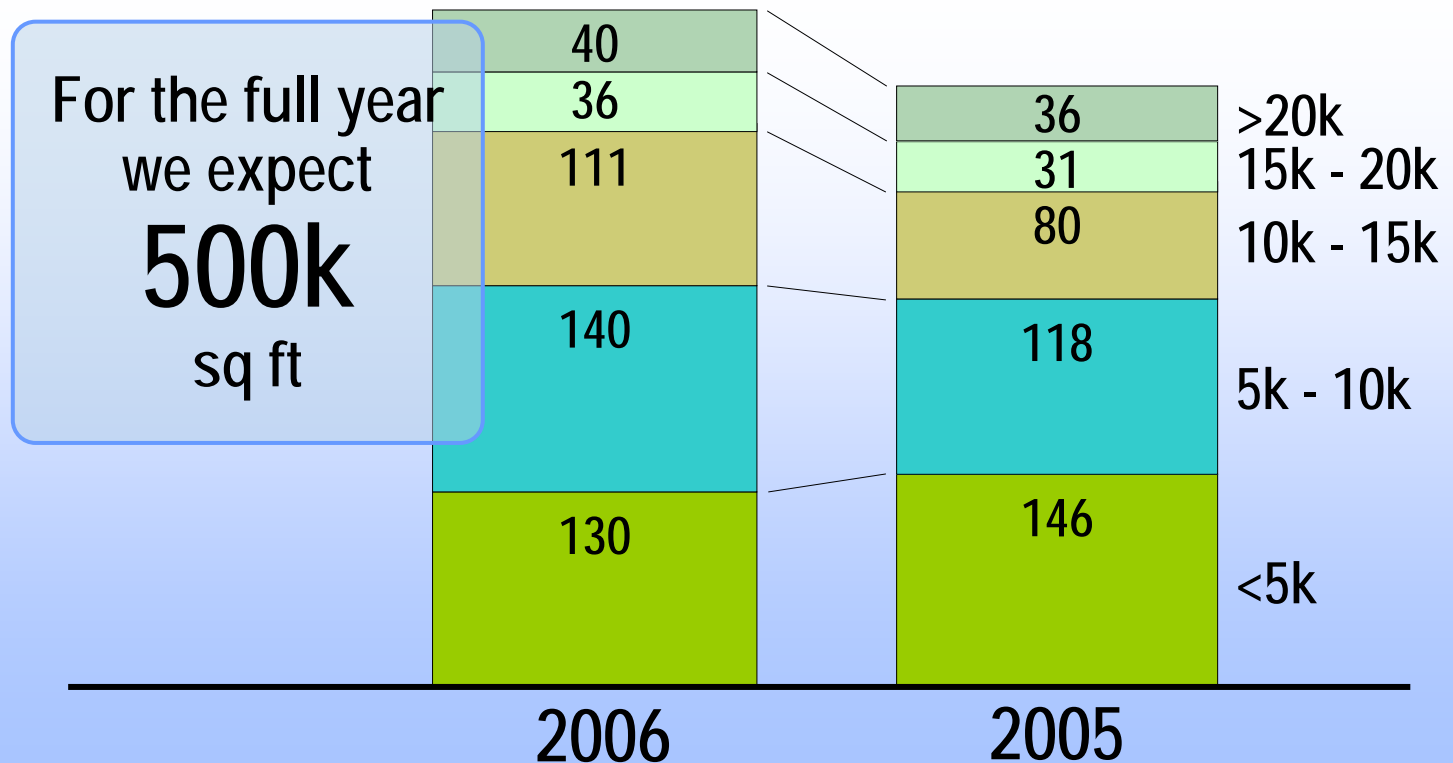


Next Retail

Space Expansion

| Retail |
|-----------|
| Directory |
| Franchise |
| Sourcing |
| Ventura |
| Other |

| £m | Stores | Sq. Ft. | |
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Next Directory

Financial Performance

Retail

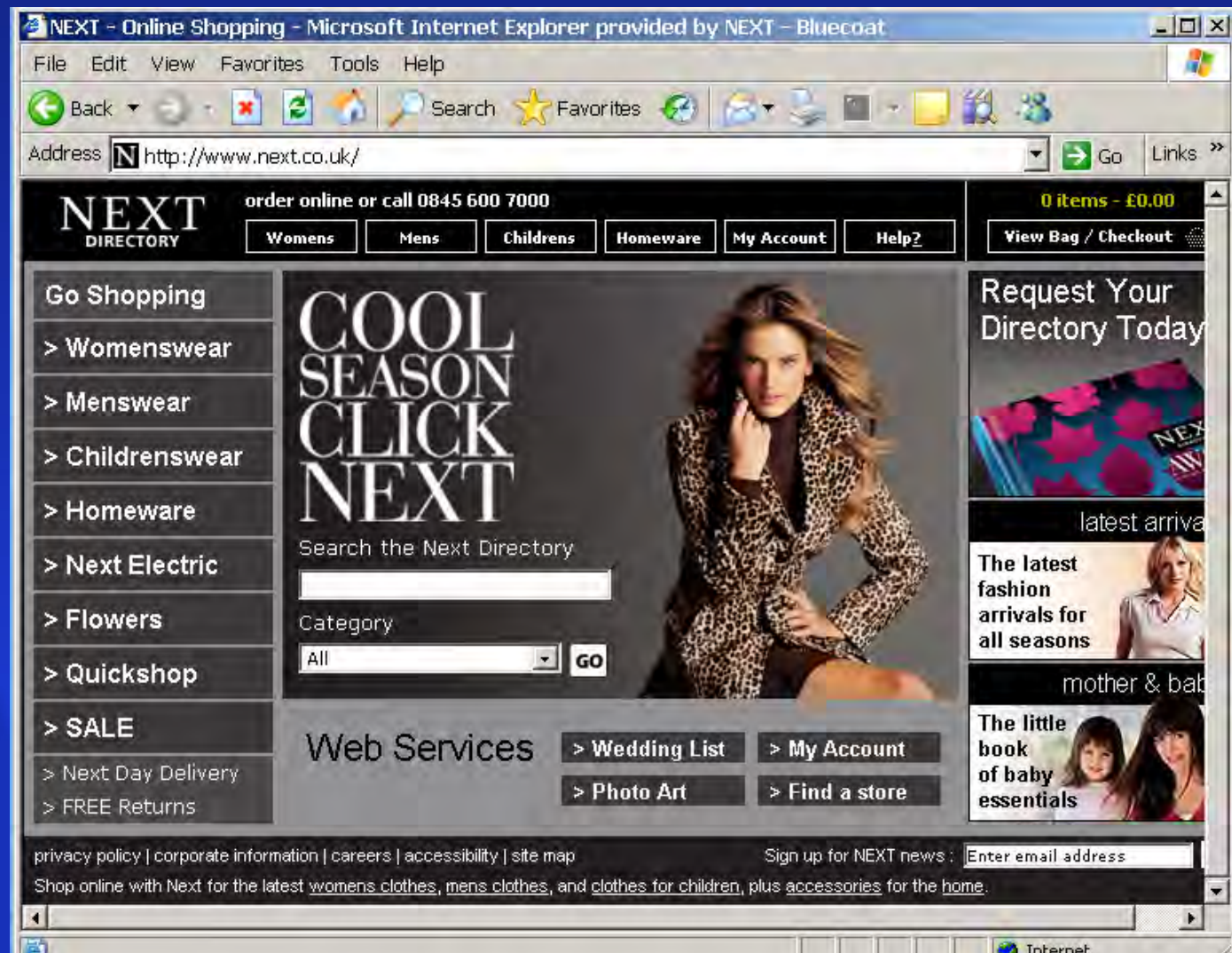
Directory

Franchise

Sourcing

Ventura

Other



Next Directory

Financial Performance

| Retail | £m | 2006 | 2005 | |
|-----------|--------------------|-------|-------|--------|
| Directory | Turnover (exc VAT) | 359.4 | 311.8 | +15.3% |
| Franchise | Operating profit | 59.6 | 41.3 | +44.7% |
| Sourcing | % to sales | 16.6% | 13.2% | |
| Ventura | | | | |
| Other | | | | |

SALES DRIVERS

| | | | |
|-------------------|-------|-------|-------|
| Active customers* | 2.14m | 1.97m | +8.6% |
| Printed pages | 1,476 | 1,348 | +9.5% |

* Average number during the period



Next Directory

Financial Performance

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| Ventura | | | | |
| Other | | | | |

Turnover +15.3%

Demand +9.7%

Service level +4.2%

Service charge etc +1.4%



Next Directory

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| Other | | | | |

MARGIN MOVEMENT

Bought in gross margin +1.0%

Markdown/Obsolescence - 1.8%

Bad debt/Service charge - 0.4%

Central overheads +4.6%



Next Directory

Financial Performance

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| Other | | | | |

MARGIN MOVEMENT

| | |
|-------------------|-------|
| Central overheads | +4.6% |
| Distribution | +2.3% |
| Warehousing | +1.0% |
| Call centre | +1.0% |
| Other | +0.3% |



Next Franchise

Financial Performance

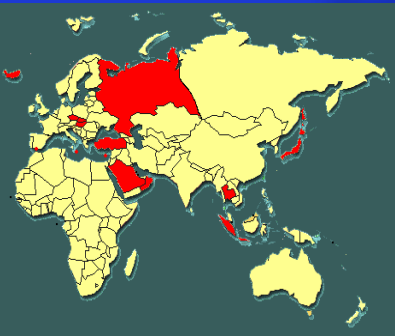
| Retail | £m | 2006 | 2005 | |
|-----------|------------------|------|------|--------|
| Directory | Turnover | 22.0 | 16.5 | +33.8% |
| Franchise | Operating profit | 2.5 | 3.3 | -24.9% |
| Sourcing | | | | |
| Ventura | | | | |
| Other | | | | |

Profit up 8.2% prior to allocation of £1.1m fixed overheads this year

Profit held back by timing of royalty income

Opened in Russia (7) and Turkey (3)

Expect 20 new stores in H2, including India



Next Sourcing

Financial Performance

| Retail | £m | 2006 | 2005 | |
|-----------|------------------|------|------|--------|
| Directory | Operating profit | 15.6 | 13.6 | +15.0% |
| Franchise | | | | |
| Sourcing | | | | |
| Ventura | | | | |
| Other | | | | |

Outlook:

Second half profit expected to be similar to last year's £19m



Ventura

Financial Performance

| Retail | £m | 2006 | 2005 | |
|-----------|------------------|------|------|---------|
| Directory | Turnover | 92.7 | 70.1 | +32.3% |
| Franchise | Operating profit | 9.7 | 3.7 | +165.0% |
| Sourcing | | | | |
| Ventura | | | | |
| Other | | | | |

Strong H1 against poor first quarter last year

Indian call centre fully operational

New call centre in Leeds to open this year

Anticipate profit in H2 will be similar H1



VENTURA
Customer Service Management

Other Activities

Profits and Costs

| Retail | £m | 2006 | 2005 |
|-----------|------------|--------------|------------|
| Directory | Property | 3.0 | 3.8 |
| Franchise | Associates | 0.7 | 1.7 |
| Sourcing | Other | (5.9) | (5.1) |
| Ventura | Total | <u>(2.2)</u> | <u>0.4</u> |
| Other | | | |

Last year Property included profit on sale of freeholds

Pension deficit charge of £2.8m



Retail

Directory

Franchise

Sourcing

Ventura

Other

Growth in profit reduced by 1.5% as a result of new accounting rules

ESOT £4.1m v £2.9m LY. Full year ~ £9m

Foreign exchange “loss” £0.5m compared to “gain” £1.2m last year.

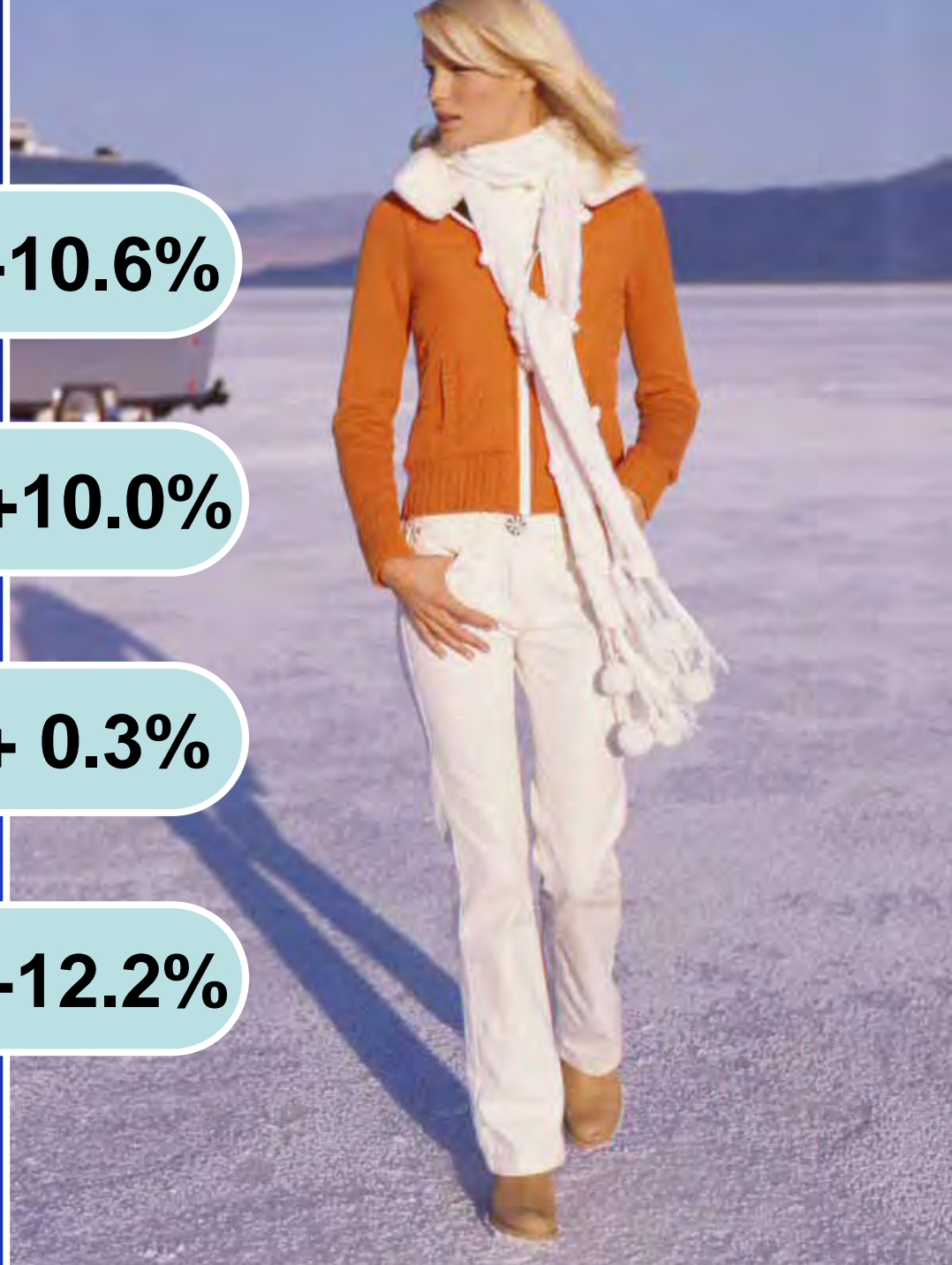
Current Trade

Next Brand +10.6%

Retail Total Sales +10.0%

Retail True LFL + 0.3%

Next Directory +12.2%



Outlook for 2nd Half



Outlook for 2nd Half

Expect environment to remain tough

Fragile consumer

Competitive pressure

Budgeting in a range -2% to -5% LFL

Budgeting Directory range +7% to +9%

Priorities

Product Ranges

New Shop Fit

Initiate Lime Trial

Cost Control

Share Buyback



Product Ranges

Fashion Response

New trends every 6 wks

Broader supplier base

20 New = 15% AW buy



Product Ranges

Fashion Response Option Control

SS06 Options +20%

Hard to display & shop

Six Product Types

Jackets

Knitwear

Jersey

Heavy Jersey

Trousers

Jeans



Product Ranges

Fashion Response Option Control

SS06 Options +20%

Hard to display & shop

Depth and sizes

AW06 Options -10%

Two Product Types



Product Ranges

Fashion Response

Option Control

Stock Control

Absolutely **All Sale** Items

**Half
Price**

Or Even Less!

Product Ranges

Fashion Response

Option Control

Stock Control

New Products

Jewellery



Electrical

HD
ready



Shop Fit

Brighter lighting

Glass spine walls

Fewer long runs of stock

Internal dressing

Confident varied decoration

Less prominent metal work

Stylish tills & fitting rooms



Shop Fit - Results

Brighter lighting

Glass spine walls

Fewer long runs of stock

Internal dressing

Confident varied decoration

Less prominent metal work

Stylish tills & fitting rooms

Sales Performance

Uplift at least +8%
But short term...?

Refit Costs

Total £12m
Cost/Sq Ft £34

Roll Out 06/07

Refit stores 14
New Stores 29
Total 700,000
% clothing space ~19%

Shop Fit - Results

Depreciation Policy

Mezzanine floors 15 yrs

Lifts, AC, etc 10 yrs

Fixtures & fittings 6 yrs

Average New Store 7 yrs

Refit Costs 6 yrs

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But short term...?

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Total £12m
Cost/Sq Ft £34

Roll Out 06/07

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New Stores 29
Total 700,000
% clothing space ~19%

Lime – Trial



Lime – Trial

Value Sub Brand in Next clearance

Contemporary clothing
Exceptional prices

Value more important
than Quality



Lime – Trial

Value Sub Brand in Next Clearance

Range in *development* stage

Low risk trial in circa 10 shops

Shops due for disposal

Conversion cost < £200k

Lime – Trial

Value Sub Brand in Next Clearance

Range in *development* stage

Low risk trial in circa 10 shops

Dedicated team

Outlook for Cost

THREATS

Energy
Rates
Rent (-ve LFL)
Depreciation (-ve LFL)
Branch wages

OPPORTUNITIES

Gross margin
Warehouse wages
Directory distribution
Call centres
Stock control

Expect interest costs in second half ~ £ 20m

Share Buyback

| | Shares in issue | Shares acquired | % | Cost | Price |
|-----------------------|--------------------|--------------------|--------------|---------------|---------------|
| Jan 05 | 261m | | | | |
| July 05 | 257m | 4.6m | 1.8% | £ 71m | £15.44 |
| Jan 06 | 246m | 10.4m | 4.0% | £ 146m | £14.07 |
| July 06 * | 229m | 17.0m | 6.5% | £ 283m | £16.65 |
| 18 month total | | 32.0m | 12.3% | £ 500m | £15.64 |

*** 6.9% of January 2006 shares in issue**

Summary

Conditions remain tough AW06

Focus

Product and store environment

Growing Next Directory

Controlling costs

Growing space

Less pessimistic for 2007/8



NEXT PLC