

INTERIM MANAGEMENT STATEMENT

Interim management statement

SALES PERFORMANCE AND OUTLOOK

Sales in the third quarter to 31 October 2009 have been better than we expected, with both Next Retail and Next Directory performing ahead of the second half guidance we gave in September.

The consumer environment remains subdued, but has been more benign than we anticipated. Inflation and mortgage rates remain encouragingly low and the fall in employment has been contained to around 2%. Our customers continue to manage their credit carefully and we have now begun to see a year on year reduction in the number of customers going into arrears on their Next Directory accounts. We believe this is a reflection of a general improvement in consumer finances.

There was a noticeable pick-up in sales in October as we came up against the weak comparatives of the previous year: it was at this time last year that the publicity around the credit crisis and the demise of Lehman Brothers reached its height. We also feel that our ranges have improved, particularly Womenswear, as a result of increased newness and the early adoption of new trends.

In Directory, the strong performance of our Homeware ranges and better stock availability generally have both contributed to the sales improvement.

The table below sets out our third quarter performance, the second half guidance given in September and revised upward guidance for cumulative second half sales up to Christmas Eve.

	Q3 Performance	September H2 Guidance	Revised H2 Xmas Guidance
Total Brand sales	+3.1%		
Total Retail sales	+2.2%		
Retail like-for-like sales	-1.3%	-3.5% to -6.5%	0% to -3%
Directory sales	+5.1%	0% to +2%	+4% to +6%

OUTLOOK FOR COSTS AND PROFITS

Operating costs remain well controlled and, as indicated in September, gross margin erosion from the devaluation of Sterling has been less damaging than we initially feared. This has been as a result of us negotiating significant reductions in Dollar and Euro input cost prices. The market consensus for full year Profit Before Tax is currently around £442m. If it is assumed that the revised sales guidance given above is achieved, then we would anticipate market consensus increasing by around £30m to circa £472m. This would represent an increase of 10% over last year's profit.

CHRISTMAS TRADING STATEMENT

We intend to issue a sales update for the period to 24 December 2009 on or around Wednesday 6 January 2010.

Ends

NOTE FOR ANALYSTS/EDITORS ON COMPARATIVE LIKE-FOR-LIKE SALES CALCULATIONS

Internet (direct) trading now accounts for a meaningful percentage of many retailers' total sales. As a result, comparing LFL sales between different companies can be problematic. Some retailers include direct sales in their like-for-likes, others (including Next) do not. If Next were to include all direct sales (this year and last year) in its retail like-for-like sales calculation, then it would improve the reported performance by 2.2% and take the third quarter to a positive like-for-like figure of +0.9%.

There is, of course, no right answer as to whether direct sales should be included in retail like-for-likes or not. Our preference is to continue not to include them, as we believe trends in the performance of same-stores (unaffected by new openings) are useful in analysing underlying retail performance and profitability. Going forward we will give the figure inclusive of direct sales as a footnote for comparative purpose.