

TRADING STATEMENT

Trading statement

CHRISTMAS TRADE

The combined sales of Next Retail and Next Directory for the period from 29 July to 24 December 2008 were down -1.9% compared to the same period last year.

Next Retail sales were down -3.0% in the period. Like for like sales in the 347 stores that were unaffected by new openings were down -7.0%.

Next Directory sales were up +1.1% in the period.

Like for like sales were within the guidance range of -4.0% to -7.0% we gave in September and repeated in November. This was despite a worsening consumer environment and a significant increase in competitor markdown activity prior to Christmas. Next maintained its policy of trading at full price up to Christmas and stocks were well controlled going into the end of season Sale. We started our Sale with 8% less stock than last year. After a good start to the Sale period we now expect clearance rates to be ahead of last year.

PROFIT AND EARNINGS PER SHARE FORECASTS

Our full year profit forecast for the year to January 2009 remains in line with our previous expectation and current market consensus. The majority of City profit forecasts are currently in the range of £415m to £435m. This equates to earnings per share of between 152p and 160p which represents a decline of between -5% and -10% for the full year.

OUTLOOK FOR 2009

As we mentioned in November, 2009 looks set to be another challenging year. We are again budgeting very conservatively, with negative like for like sales for the full year, and we believe the first half will be particularly difficult. We expect Directory to remain less affected by the downturn than Retail, and are currently budgeting for sales in Directory to be only marginally down for the full year.

Outlook for the Consumer

We anticipate that consumer demand will remain weak during 2009, although we would caution against some of the more extreme economic forecasts. On the negative side, we expect falling house prices, unemployment and the fear of unemployment to continue to restrain spending. However, there is some relief in sight for the consumer; food, fuel and energy prices are set to fall during the year and many will begin to benefit from reducing mortgage interest charges. Whilst these reductions may not translate into immediate increases in spending they will give people the chance to get their finances in good order in the year ahead.

Currency

The weakness of Sterling will be a major issue for the retail sector over the coming year. The majority of our currency requirements for Spring Summer stock had been covered before Sterling's substantial and rapid devaluation, so we expect the impact in the first half to be limited. As stated previously, we anticipate that in Autumn Winter there will be significant upward pressure on prices and downward pressure on margins as a result of Sterling weakness. The extent of these pressures will become more apparent as we negotiate and re-source our Autumn Winter stock.

Financial Resilience

Next is well placed to weather the downturn. Our balance sheet remains robust with forecast year end net debt in the region of £670m. This is comfortably financed by a long term bank facility of £295m (2013) and fixed interest bonds of £300m (2013) and £250m (2016). Over and above the amount we need to finance the business we have a £150m bank facility committed until November 2010. Interest costs in the current year will be covered 12 times by EBITDA. We anticipate that our interest charge will fall in the year ahead and cash flow will again be strongly positive after paying interest, tax and dividends.

Priorities

Our overriding priority remains the development of the Next Brand. Our focus will continue to be the development of great new ranges of well designed, excellent quality, clothing and home products. We will closely manage our costs and endeavour to make further efficiencies in our operations. We will continue to invest in refits and new openings, albeit that these will be at lower levels than the current year.

NOTICE OF FULL YEAR RESULTS

We intend to issue our preliminary results for the 52 weeks to 24 January 2009 on Thursday 26 March 2009. The first of our quarterly trading statements will be in early May 2009.

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