TRADING STATEMENT

Trading statement

5 January 2010

Headlines

Sales (VAT ex) are for the 22 weeks to Christmas Eve

- Next Retail total up 4.6%
- Next Retail like-for-like including direct sales up 3.2%, excluding direct up 1.6%[1]
- Next Directory up 6.8%
- Full year forecast profit before tax: range upgraded, £490m to £500m
- Full year forecast earnings per share: range 180p to 184p, up at least 15% on last year

Second Half Trading

Sales in the run up to Christmas were better than expected and were markedly stronger in the final two weeks as the weather turned colder. We believe that two factors contributed to sales finishing ahead of our November guidance. Firstly, the consumer environment was more stable than expected, with only modest falls in employment, low inflation and continuing low interest rates. Secondly, we believe our ranges improved across the board as we continued our efforts to more aggressively back new products and trends. Home merchandise performed particularly well as we broadened our ranges and increased our selling space.

Sales for the 22 week period from 26 July to 24 December 2009 were as follows:

- Next Retail total sales (VAT ex) up 4.6%
- Like-for-like sales (VAT ex) including direct sales up 3.2%, excluding direct sales up 1.6%
- Directory sales (VAT ex) up 6.8%
- Total Next Brand sales (VAT ex) up 5.2%

The End of Season Sale

We went into the End of Season Sale with 12% less stock than last year across Retail and Directory. The Sale has gone well despite the need to open on Boxing Day and clearance rates are broadly in line with last year.

Profit and Cash Outlook for the Year Ending Jan 2010

In addition to beating our sales targets we have tightly controlled stock levels and costs across the Group. As a result, we now estimate that Group profits for the year to 31 January 2010 will be between £490m and £500m. This is ahead of the guidance we gave in November and includes approximately £7m of additional profit resulting from this year being a 53 week year; next year will revert to 52 weeks. Earnings per share at profit of £490m would be 180p, this would be an all time high for the Group and 15% up on last year.

We will be strongly cash generative and expect cash flow after interest, tax and dividends to be in excess of £250m. This would leave year end net debt at around £350m, comfortably financed by £518m of medium term bonds.

Consumer Outlook for 2010

The outlook for the year ahead is particularly hard to gauge at this point in the cycle.

Consumers are generally in a much better position than they were a year ago. Low interest rates have enabled those in employment to service their debts and increase their savings – in November and December we saw a marked decline year on year in the number of our customers falling into arrears. The increase in unemployment has been lower than expected, as labour flexibility in the private sector has allowed employers to preserve more jobs than many thought possible. Crucially, the fall in employment has been much lower than the increase in unemployment, falling just 1.6% (463,000) since December 2007[2].
However we do not necessarily expect the year ahead to be as good as the previous six months, partly because the fall in interest rates will annualise in the first quarter. More importantly the scale of the Public Sector deficit

poses a real threat to recovery. Action taken to reduce the deficit presents three potential risks to consumer recovery:

- Increases in direct taxation may suppress consumer spending
- Reductions in Government spending may reduce employment
- Increases in indirect taxation may fuel inflation and consequently push up interest rates

Planning Base for 2010

Given this level of uncertainty, we remain cautious in our outlook for the year ahead and are planning accordingly. We expect Next Retail like-for-like sales[3] (*excluding* direct sales) to be in the range of +1% to -3%. We are buying to a budget at the lower end of this range and are assuming that the addition of profitable new space will take total Retail sales to level with last year. We are planning for Next Directory sales to grow by between 0% and +2%.

In this scenario we believe we can deliver a similar profit to that of the current year, despite the effect of rising VAT and the loss of the 53rd week. In the event that sales are better than our planning base we have the ability to chase stock into the business and to continue to grow Group profit. We believe Next is well placed to face the challenges of the year ahead.

Ends

[1]In our view the second measure is more useful as it gives a measure of same store performance. However, the first measure including direct sales is generally used across the industry.
[2]Figures given are Sept 2009 employment versus Dec 2007: Source: Office of National Statistics (MGRZ)
[3]For ease of comparison this figure is *inclusive* of VAT. The increase in the rate of VAT will mean that our statutory sales will be 1.6% lower than the cash take in the tills.