

# TRADING STATEMENT

## Trading statement

**21 July 2009**

### **Sales**

In the light of better than expected full price trading in recent weeks and improved clearance rates in our End of Season Sale we have decided to bring forward our first half trading update by one week.

For the 25 weeks up to the first day of our End of Season Sale, that is from 25 January to 18 July:

- Total Next Retail sales (VAT ex) were up 1.4%
- Like for like sales (VAT ex) in the 394 stores that traded continuously were down -1.9%
- Next Directory sales (VAT ex) were up 1.1%
- Total Next Brand sales (VAT ex) were up 1.3%

Sales of summer clothing have benefited from much better weather than last year. We estimate that the warm temperatures have improved these Next Retail sales by between 2% and 3%, which will put sales for the first half ahead of the guidance given on 6 May. In addition, we have been much happier with the design and fashion content of our ranges across all product areas. We will continue in our endeavours to create exciting, beautifully designed, excellent quality clothing at prices that most people can afford.

### **Sale and Clearance**

We went into our End of Season Sale on Saturday 18 July with 19% less stock than last year and the initial clearance rates have been encouraging.

### **Capital Expenditure**

We have increased our Capital Expenditure forecast by £10m and now expect Capex for the full year to be in the region of £90m. This year we will open 13 stand alone Home stores covering 145,000 square feet and a further 17 new or resited Next stores adding 160,000 square feet.

### **Profit Guidance**

As a result of better full price Next Retail sales and improved clearance rates we have added a further £15m to our internal profit forecast for the first half. Our product negotiations and sourcing have gone better than planned and we now anticipate that our bought in gross margin for the second half will be better than expected. As a result we have also added £15m to our internal profit forecast for the second half.

### **Outlook**

We expect consumers to continue to moderate their spending in the second half. Whilst we do not anticipate any collapse in consumer sentiment we believe that many will continue to save rather than spend the benefits of lower mortgage costs. In addition we anticipate that unemployment will continue to rise, though not necessarily at any faster rate than the last six months. As a result we expect the consumer environment in the second half to be similar to that of the first half.

The first half benefited significantly from favourable weather comparisons, we would therefore caution against any assumption that the second half Next Retail like for like sales will be in line with those of the first half. It is very early to give a sales range, however at this stage we estimate that like for like sales in the second half will be in the range of -3.5% to -6.5%. We will give further sales guidance at our Interim announcement in September.

Our forecasts do not account for any significant impact on sales from swine flu, and as yet we have observed no material effect. However, there is downside risk to our expectations if wider infection rates deter shoppers.

### **Announcements**

We intend to release our Interim results for the 26 weeks to 25 July on Wednesday 16 September.

END

**Note for Editors: Vat Inclusive / Exclusive Sales**

As is our practice, all sales figures are quoted after deducting VAT. In most years this makes no difference, however this year VAT rates are lower than last year. As a result VAT inclusive sales (i.e. the cash taken in stores) have not grown as much as the sales retained by the business (i.e. after VAT has been deducted). This is important, as the VAT exclusive sales give a slightly more optimistic view of the general consumer environment. VAT inclusive sales were approximately 1.7% below the numbers reported above.