next plc

January 2013 Trading Statement

Sales Performance to 24 December 2012

As expected, there has been little change to the consumer environment since our last trading statement on 31 October. Sales growth in the fourth quarter has been in line with the rest of the year and in line with the forecast we gave in our October statement.

The table below sets out sales growth on last year in Retail and Directory.

Sales Vat Ex	01 November to 24 December	Year to date
NEXT Retail	+0.8%	+0.6%
NEXT Directory	+11.2%	+10.5%
NEXT Brand Total	**+3.9%**	**+3.9%**
Of which net sales from new space		*+2.2%*

Total stock for our End of Season Sale was down 8.2% on last year. The Sale has started well. We expect final clearance rates will be in line with last year and our internal estimates. Stock levels continue to be carefully controlled and we start the new year with less stock in the business than last year.

Profit and EPS Guidance for the Full Year to January 2013.

Although sales have been in line with our expectations, cost control measures, markdowns and gross margins have all been slightly better than expected. As a result we are able to narrow our profit guidance to the top of our previous range (which was £590m to £620m). We now expect profit to be within £7m either side of £618m.

During the year we have purchased and cancelled 7.5 million Next shares at a total cost of £241m. The combination of profit growth, lower corporation tax rates and share buybacks should result in growth in underlying EPS of between 14% and 17%. Our new guidance ranges are set out below.

Full Year Estimates Underlying, Year to January 2013	Guidance Lower end	Guidance Upper end
Group profit before tax	£611m	£625m
Growth in profit before tax	+7.1%	+9.6%
Share buyback expectation	£245m	£245m
Growth in basic EPS (vs last year 255.4p)	+14%	+17%

Outlook for the Year Ahead

We think it is unlikely there will be any dramatic change in the consumer environment in the year ahead. Healthy employment numbers mean that there is little risk of a significant downturn. However, the continued growth in price inflation ahead of wage inflation means that real wages will continue to fall, albeit at a slower rate than last year. On balance, we expect the consumer environment to remain subdued but steady.

We will continue to manage the business defensively in a difficult consumer environment. Our approach can be summarised as follows:

- Set realistic and conservative sales **budgets**
- Innovate to achieve further **cost savings** (without adversely impacting on service or quality)
- Open profitable **new space** where we achieve excellent returns on capital invested
- Grow the **NEXT Directory** online business, both in the UK and overseas
- Return surplus cash to shareholders through share **buybacks** in order to further enhance earnings per share

Our internal budgets for the year ahead are based on growth in NEXT Brand sales of between 1.5% and 4.0%, with underlying profit before tax up broadly in line with sales. We anticipate that NEXT will generate surplus cash in the order of £250m after capital investment, tax and dividends, which we intend to return to shareholders through share buybacks. This would equate to approximately 4% of our shares in issue at the current price.

We will give more detailed guidance with our full year results, which we intend to announce on Thursday 21 March.