Date:	Embargoed until 07.00hrs, Wednesday 3 August 2016	
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next plc

Trading Statement – 3 August 2016

SALES FOR THE 26 WEEKS TO 30 JULY 2016

Full Price Sales Performance

Full price sales in the second quarter were +0.3% on last year, an improvement on the first quarter. The table below sets out the sales performance by quarter for Retail and Directory. NEXT Brand *full price* sales for the year to date are -0.3% on last year.

New space added +1.5% to Brand sales for the first half whilst NEXT Directory continued to benefit from growth in overseas sales and improved stock availability.

Full Price **Sales (VAT exclusive)**	First Quarter to 2 May	**Second Quarter to 30 July**	**Year to Date**
NEXT Retail	- 4.7%	- 3.3%	- 4.0%
NEXT Directory	+4.2%	+5.7%	+4.9%
NEXT Brand Total	- 0.9%	**+0.3%**	**- 0.3%**
Of which sales from new space	*+1.6%*	*+1.5%*	*+1.5%*

Total Sales Performance (Including Markdown)

We went into the end-of-season Sale with significantly more stock than last year, the Sale has gone well and clearance rates have been slightly ahead of our expectations.

Most of the increase in Sale stock was cleared through our retail stores. This served to increase total Retail sales, which is why there is such a large discrepancy between *full price* sales and total sales (including markdown) in our Retail channel. Total sales for the Brand, in the first half, were up +1.8% as set out in the table below.

Total Sales including Markdown (VAT exclusive)	**Year to Date**
NEXT Retail	- 0.7%
NEXT Directory	+5.4%
NEXT Brand Total	**+1.8%**

IMPACT OF THE EU REFERENDUM

Effect on Short Term UK Consumer Demand

With only a few weeks since the EU referendum it would be unwise to draw any firm conclusions of the effect the decision to leave the EU will have on UK consumer demand, particularly as the week after the referendum was an unusually strong week the previous year. So far, we can see no clear evidence of any appreciable effect on consumer behaviour, apart from the first few days after the vote.

Effect on our EU business

We currently have around €200m sales revenues from EU countries (including our stores in Eire). We already have a warehouse and fulfilment operation based in Continental Europe. This operation could be expanded to service most of our Continental business in the unlikely event that fulfilling sales from the UK becomes less efficient. Tariffs and other barriers to trade in Continental Europe are unlikely to be any different from today, as most of our stock is manufactured outside the EU and already subject to EU customs and tariffs.

Sterling Devaluation

In the medium term the devaluation of the Pound is likely to affect the cost price of our goods. There will be no effect on the year to January 2017 as we have fully hedged all our currency exposure.

The impact of devaluation for next year has been partially mitigated by pre-referendum hedging and currency offsets from our Euro and Dollar overseas revenues. Based on current exchange rates, we expect our costing rates (the average value of Sterling in the overseas currencies that we buy) to be around 9% worse than 2016/17. However, we believe a number of factors will mitigate this devaluation, these factors include:

- The weakening of some Far East currencies (including the Yuan) against the Dollar
- Increased efficiency and improving capabilities in new and developing sources of supply (such as Bangladesh, Cambodia, and Burma)
- Fewer capacity constraints and greater competition between our more traditional sources of supply, particularly in China, and newer manufacturing regions

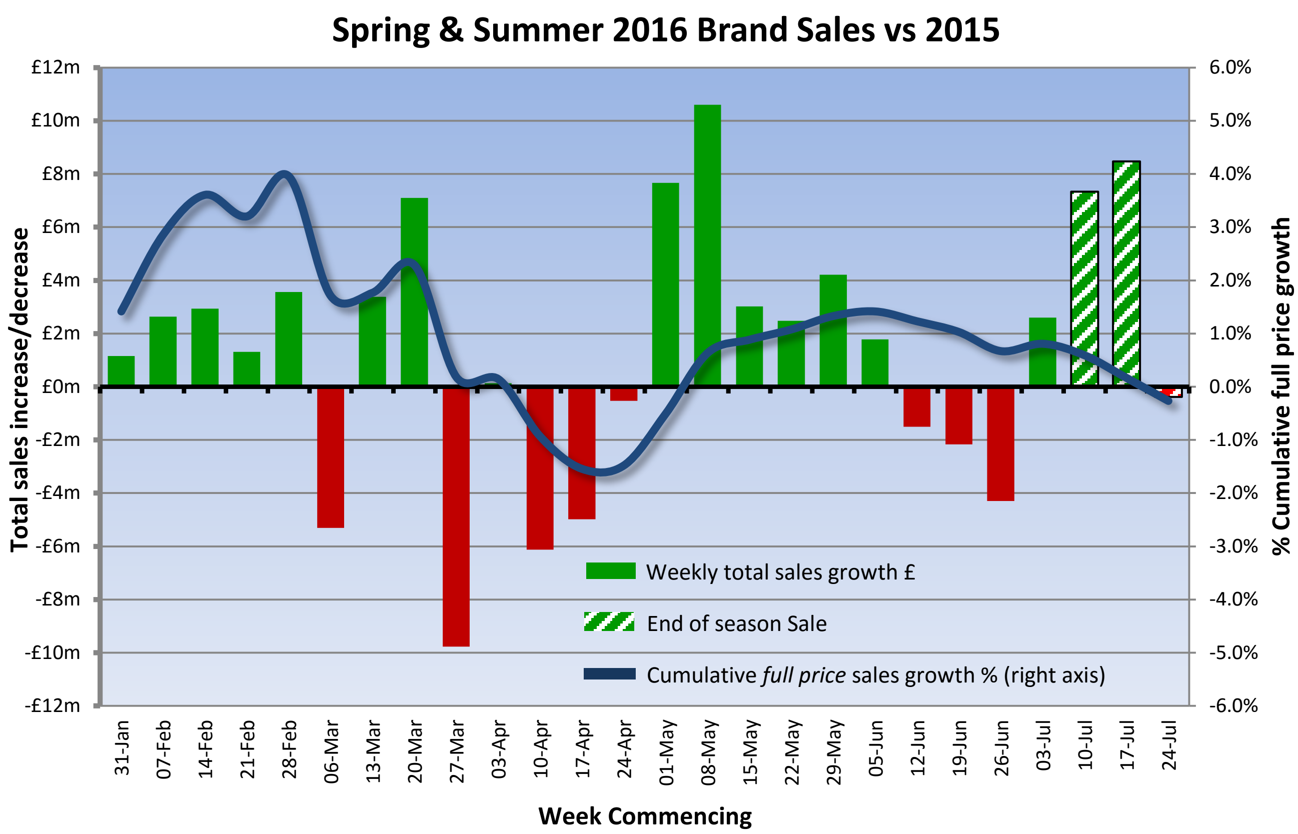
Although it is very early in the buying cycle, we currently estimate that cost prices in 2017/18 will rise by less than 5% on like-for-like products. We will give a further update in September at our half year results when we will have greater visibility of Spring and Summer contracts.

TRADING PATTERNS & OUTLOOK FOR THE REST OF THE YEAR

The bar graph below shows the Sterling value of weekly year on year increases/decreases in total sales. The blue line shows the cumulative percentage growth in *full price* sales (right hand axis). The strength of the first two weeks of our Sale (week commencing 10 July) was driven entirely by the growth in stock for Sale. This also served to supress *full price* sales during those weeks, which is why *full price* sales declined after the start of our Sale.

As can be seen from the graph, trading remains extremely volatile and on a week-by-week basis is highly dependent on the weather. This volatility is indicative of the underlying weakness of consumer demand for clothing, which we believe we began to experience in October 2015.

We expect the consumer environment to remain tough for the rest of the year. Quarter three will be particularly challenging as it was our best quarter last year (up +6%), so we are budgeting for *full price* sales growth in the third quarter to be worse than in the second quarter. The fourth quarter presents much softer comparable numbers when the problems of an exceptionally warm 2015 winter were compounded by stock availability problems in Directory last year. So there is potentially some upside in the last quarter, particularly if we have a colder winter.



FULL PRICE SALES AND PROFIT GUIDANCE FOR THE YEAR

The table below sets out our revised sales and profit guidance for the full year. For comparison we have shown the guidance we issued in May on the right of the table. We have narrowed our sales guidance by 1% both at the upper and lower end of the range and maintain our central point. Our wider than normal range reflects the continued uncertainty and volatility of consumer demand. We expect full year growth in earnings per share to be between -2.5% to +6.3%.

Guidance Estimates	**New Guidance**		**Previous Guidance**	
Full Year to January 2017 (52 v 52 week basis)	Lower	Upper	Lower	Upper
Total *full price* NEXT Brand sales v LY	- 2.5%	+2.5%	- 3.5%	+3.5%
Group profit before tax	£775m	£845m	£748m	£852m
Group profit before tax v LY	**- 5.6%**	**+2.9%**	**- 8.9%**	**+3.7%**
Earnings per share v LY[1]	**- 2.5%**	**+6.3%**	**- 6.6%**	**+6.4%**

CASH FLOW, SHARE BUYBACKS AND SPECIAL DIVIDENDS

Our cash flow remains strong and we still expect to generate £350m of surplus cash in the current year after deducting interest, tax, capital expenditure and ordinary dividends but before funding additional Directory debt (£65m), special dividends and buybacks.

Given the favourable market conditions for share buybacks and successful issuance of a new bond, we have returned more capital to shareholders than originally anticipated. The table below details our share buybacks and special dividends in the year to date.

	£m
Share buybacks in January 2016 brought forward	151
Share buybacks in the current financial year	176
60p Special dividend paid 1 February 2016	88
Total capital returned to shareholders year to date	**415**

We currently anticipate spending a further £30m on share buybacks during the remainder of the year and, of course, this will be subject to market conditions. We will give a further update in September when we announce our Half Year results.

INTERIM RESULTS

We will announce our Half Year results on Thursday 15 September.

END

[1] The EPS calculation assumes further share buybacks of £30m