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Contacts: Lord Wolfson, Chief Executive
David Keens, Group Finance Director
NEXT PLC **Tel: 0844 844 8888**
Alistair Mackinnon-Musson Email: next@rowbellpr.com
Rowbell PR **Tel: 020 7717 5239**

Photographs: http://press.next.co.uk/media/company-images/campaignimages.aspx

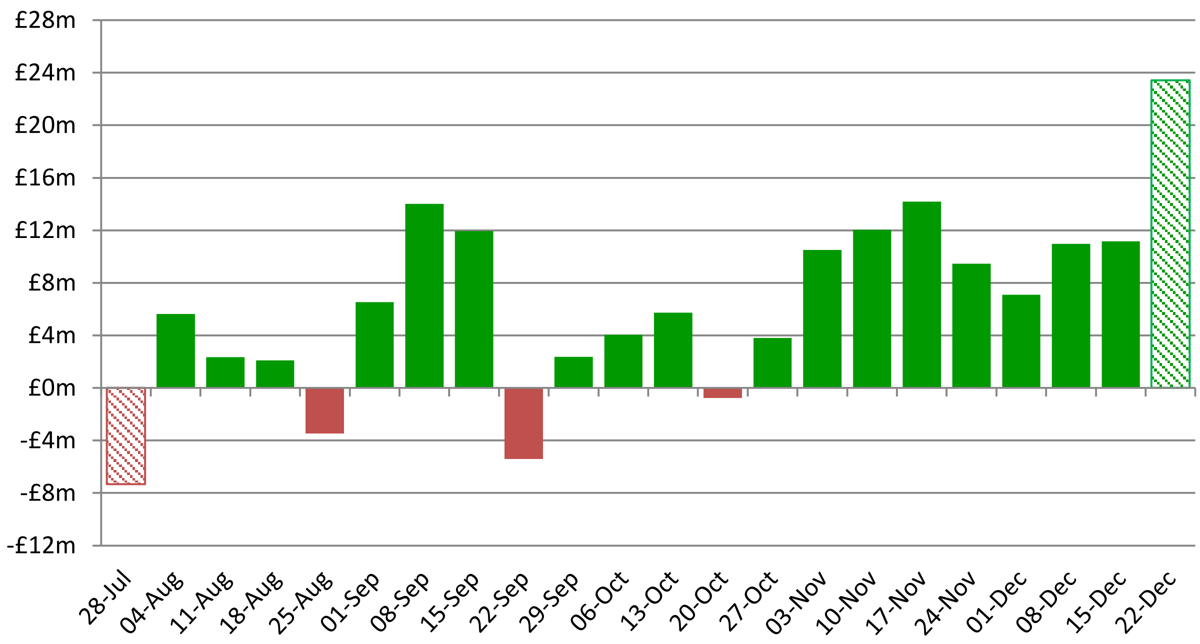
Next Plc
January 2014 Trading Statement

Sales Performance to 24 December 2013

Sales in the fourth quarter have been significantly ahead of our expectations. The table below sets out sales growth for the NEXT Brand, broken down into Retail and Directory. Sales for the year to date are now +1.25% ahead of the top end of the guidance we gave in our October Interim Management Statement.

Sales (Vat ex)	**01 November to 24 December**	**Year to date**
NEXT Retail	+7.7%	+1.2%
NEXT Directory	+21.0%	+12.0%
NEXT Brand Total	**+11.9%**	**+5.0%**
Of which net sales from new space		*+2.0%*

The graph below shows the £m growth over last year, on a week by week basis. The last and first weeks on the chart are distorted by the fact that Christmas fell a day later this year. So the week commencing 22 December benefits from an extra day, but week commencing 28 July excludes a day.



As a result of the strong run into Christmas, total stock for our End of Season Sale was down 11.5% on last year. We expect final clearance rates to be marginally ahead of last year.

Profit and EPS Guidance for the Full Year to 25 January 2014

A strong fourth quarter has meant that sales are now ahead of the top end of our previous guidance. As a result we are raising our profit forecast range, which is now £684m to £700m. During the year we have purchased and cancelled 6.2 million NEXT shares, at a total cost of £296m. The combination of profit growth, share buybacks and a lower corporation tax rate should result in growth in underlying EPS of between 21% and 24%. Our new guidance ranges are set out below.

Full Year Estimates Year to January 2014	**Guidance Lower end**	**Guidance Upper end**
Group profit before tax	£684m	£700m
Growth in profit before tax	+10.0%	+12.6%
Share buyback expectation	£296m	£296m
Growth in basic EPS (vs last year 297.7p)	+21.6%	+24.5%

Outlook for the Year Ahead

The step-up in Christmas trade was mainly down to improvements in our seasonal knitwear, nightwear and gift offer. In addition, increased confidence in online deliveries meant that more customers continued to trade with NEXT Directory right up to the weekend before Christmas. It is therefore very unlikely that the strength shown in this quarter will continue through the first half of the new financial year, and of course this year's success will present difficult comparative numbers in the fourth quarter next year.

As far as the consumer environment is concerned, it seems likely that the economy will continue to steadily improve with strong employment numbers driving a general recovery. However, the problem of little or no growth in real earnings looks set to persist for some time, and we cannot see any reason to expect a significant increase in total consumer spending in the year ahead. We are also wary that any return to significant economic growth is likely to result in rising interest rates which, in turn, is likely to moderate spending of those with mortgages.

Our budgets for the year ahead are based on growth in NEXT Brand sales of between 3% and 7%, and expect profit before tax to be up broadly in line with sales. We will give more detailed guidance with our full year results, which we intend to announce on Thursday 20 March.

Share Buybacks and Special Dividends

At our results announcement in March 2013, we set out the rationale by which we would determine the maximum price at which the Company would buy back shares. In September, based on an Equivalent Rate of Return (ERR) of 8% and achieved annualised profits of £642m our price limit was around £52.00 per share. Since late October our shares have traded above this limit and, as a result, the Company has not bought back shares.

We are now faced with a question as to what to do with the accumulated surplus cash (we already generate more cash than can be invested productively in the on-going development of the business). We have three main options; (a) retain cash for future buybacks, (b) increase the ordinary dividend, or (c) distribute surplus cash by way of a special dividend. Given that interest rates are so low, it makes little sense for the Company to accumulate cash and a substantial increase in the ordinary dividend would hinder the Company's ability to buy back shares if the share price were to rapidly fall at some point in the future.

Consequently, we have decided to pay a special dividend of 50p per share. The cost of £75m approximates to the cash we would have used for buybacks in the period October 2013 to January 2014. This dividend will be paid on 3 February to shareholders on the register at 17 January, so the shares will trade ex-dividend from 15 January.

In the year ahead, we currently expect to generate and return a *further* £300m of surplus cash. This will be returned either through further quarterly special dividends or buybacks, depending on the share price.

We will continue to revise our buyback share price limit as the Company's profits change. As outlined in today's trading statement, we are now confident of achieving an annual profit of around £692m in the current year (the midpoint of our guidance range). With 155 million shares outstanding, an 8% ERR gives a new share price limit of around £58. If our shares trade consistently above this limit, and as a result we do not buyback shares, we will pay a further 50p special dividend in May and thence quarterly going forward until such time as a lower share price, or higher profits, allows us to return meaningful sums of money through share buybacks. We will give notice of our intention to pay any future special dividends approximately three months in advance of their payment.

In essence we are introducing a rolling quarterly special dividend, which will stay in place as long as our share price remains consistently above our buyback limit. This arrangement will ensure the Company continues to return surplus cash to shareholders, whilst maintaining the flexibility to return to buying back shares if and when our price earnings ratio returns to levels commensurate with an 8% ERR.

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