

## CHIEF EXECUTIVE'S REVIEW

### OVERVIEW

NEXT has had another good year, achieving 5.4% growth in sales and 11.8% growth in underlying profit before tax. Strong cash generation enabled us to buy back 3.8% of shares outstanding without increasing financial leverage which, along with a lower tax rate, resulted in earnings per share (EPS) growing much faster than profits.

In the year to January 2014, underlying post-tax EPS grew by 23%. Our full year dividend is being increased in line with EPS, to 129p in total. We have announced two special dividends, each of 50p per share. The first was paid on 3 February and the second is payable on 1 May.

	January 2014 £m	January 2013 £m	
<b>REVENUE excluding VAT</b>			
NEXT Retail	<b>2,227.6</b>	2,190.9	+1.7%
NEXT Directory	<b>1,341.0</b>	1,192.6	+12.4%
NEXT BRAND	<b>3,568.6</b>	3,383.5	+5.5%
Other	<b>171.4</b>	164.3	+4.3%
Total	<b>3,740.0</b>	3,547.8	+5.4%
<b>PROFIT and EPS</b>			
Underlying excluding 2013 exceptionals			
NEXT Retail	<b>347.7</b>	331.1	+5.0%
NEXT Directory	<b>358.5</b>	302.1	+18.7%
Other	<b>16.6</b>	17.0	
Operating profit	<b>722.8</b>	650.2	+11.2%
Net interest	<b>(27.6)</b>	(28.6)	
Profit before tax	<b>695.2</b>	621.6	+11.8%
Taxation	<b>(142.0)</b>	(148.5)	
Profit after tax	<b>553.2</b>	473.1	+16.9%
EPS	<b>366.1p</b>	297.7p	+23.0%
Ordinary dividends per share	<b>129.0p</b>	105.0p	+22.9%

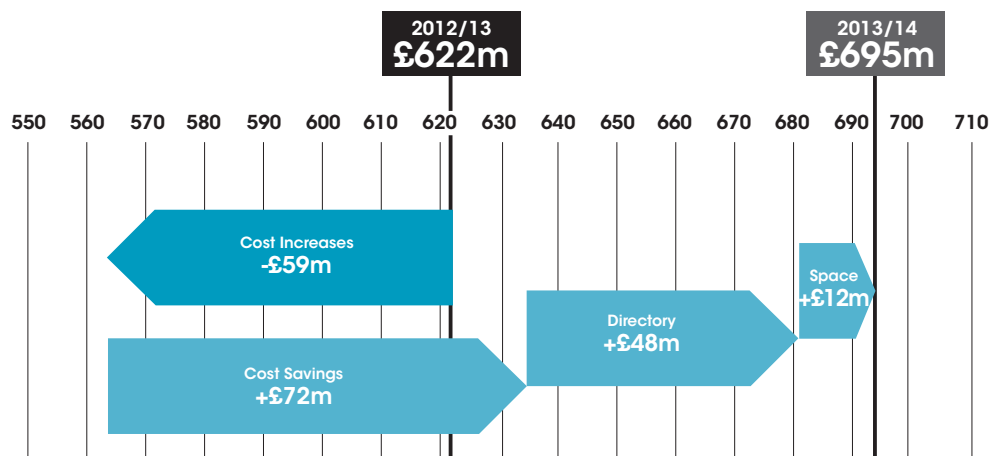
## STRATEGIC REPORT

### NEXT PLC ECONOMICS

#### 2014 PROFIT DRIVERS

The table below sets out the main drivers of the Group's Profit and Loss account for the year. This shows how the sales from (1) new Retail space and (2) Online increased profit. Our existing stores (3) made the same profit as last year. It also shows how (4) cost inflation has been more than offset by (5) cost savings.

Profit Year Ending Jan 2013	<b>£622m</b>	
Profit from sales increases/decreases		
(1) Profit from new space	+ £12m	
(2) Profit from additional online sales growth	+ £48m	
(3) Cost/Profit of existing stores	-	
	<b>+ £60m</b>	+ 9.7%
Cost increases and savings		
(4) Inflation in cost base	- £59m	
(5) Cost savings	+ £72m	
	<b>+ £13m</b>	+ 2.1%
Profit Year Ending Jan 2014	<b>£695m</b> +11.8%	



#### STRAIGHTFORWARD OBJECTIVES

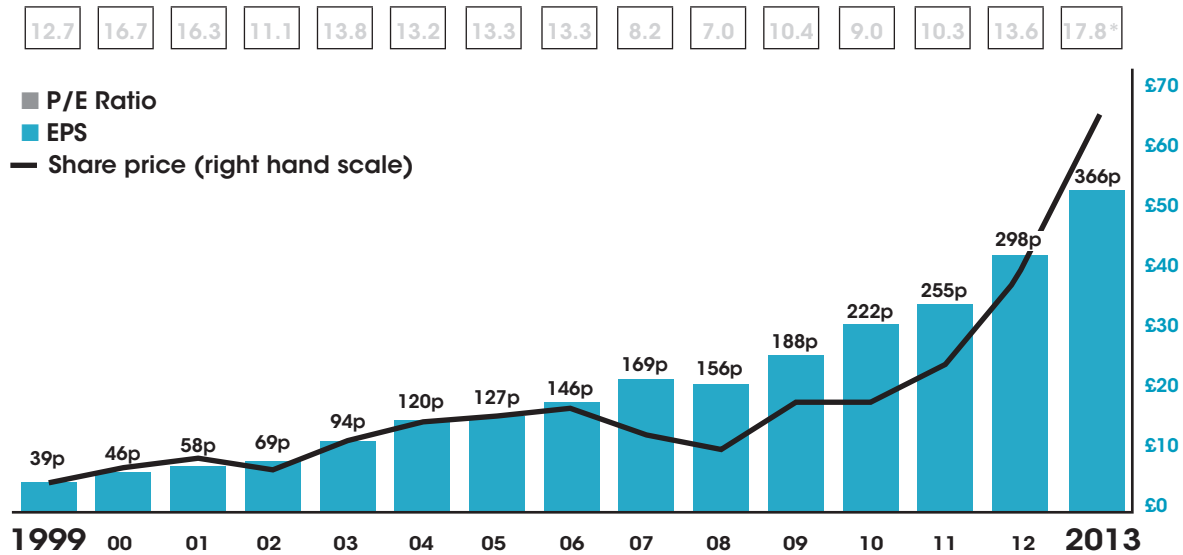
##### NEXT's Operating Objectives

The Company has five operational objectives, as set out in the table below. These aims remain broadly unchanged from those given in this report last year. The only significant change is the addition of improving customer service as a goal for the year ahead.

<b>Develop the NEXT Brand</b>	Develop, improve and expand our product ranges, with particular emphasis on improving design across all our ranges.
<b>Invest in online growth</b>	Invest in growth from our online business, through improving UK delivery services, developing new overseas markets and expanding our online product offer.
<b>Invest in profitable new space</b>	Open profitable new retail space, maintaining the Company's strict payback and profitability hurdles of 15% net store profit (before central overheads) and payback on net capital invested in 24 months.
<b>Improve service</b>	Improve the quality of our service to customers provided by staff, both in stores and in our call centres.
<b>Control costs</b>	Control costs through constantly developing more efficient ways of operating. This must be done without detracting from the quality of our products and services.

**NEXT'S Financial Objective**

For the last ten years NEXT has had one clear financial objective: to deliver long term, sustainable growth in earnings per share (EPS). This objective is grounded in the belief that, over time, share price growth will follow growth in EPS. The graph below shows how our share price has indeed tracked EPS over the last 15 years, albeit that some patience has been required.



\* 2013 PE based on share price of £65

The graph also demonstrates the historically high rating the shares currently enjoy. In our Annual Report last year we set out the criteria by which we would decide the maximum price we would pay to buy back shares. We introduced the concept of Equivalent Rate of Return (ERR). ERR is the return required from an alternative investment, if that investment were to produce the same level of earnings enhancement as the proposed buyback.

We set the minimum ERR at 8%, which we consider a reasonable target for a return on equity investments. In November last year, as our shares continued to rise, the ERR on share buybacks fell below the 8% threshold. As a result, we introduced rolling special dividends in place of buybacks. We intend to continue distributing surplus cash through special dividends, paid on a quarterly basis, until such time as the ERR rises above 8%.

Whilst the underlying financial objective of the Group remains unchanged in principle, the introduction of special dividends mean that our financial goal is now better expressed as **the delivery of long term sustainable growth in Total Shareholder Returns;** where Total Shareholder Returns are defined as growth in EPS added to the total annual dividend yield.

## STRATEGIC REPORT

### PRODUCT AND THE NEXT BRAND

Unlike many high street retailers, NEXT designs and directly sources the vast majority of its products. We can do more to leverage our design resources and sourcing base to produce better quality fabrics, print designs, trim detailing and make up. In particular we will continue to push our design teams to adopt new trends in depth and with conviction. This approach of taking greater fashion risks may sound counter-intuitive but, in today's fast moving fashion environment, to fall back on "safe" historical ranges would merely guarantee failure. On the whole, our experience is that where we have been braver in buying into new trends, we have been successful.

We have also adjusted our buying cycle to reflect the continuing trend for consumers to buy closer to the point at which they need the clothing. Our aim is to increase the availability of cold weather clothing in January, February and March and warm weather clothing in August and September. Going forward we will move away from a two season buying cycle to a four season cycle and our customers will see a bigger change from spring into summer (in April) and autumn into winter (in October).

Over the last 6 years we have made significant progress in developing our Home business. Trading space has more than doubled to 1.7 million square feet and Home sales now account for 18% of our total turnover. Over the next few years we intend to grow Home further by adding retail space and improving our online functionality.

## RETAIL

### RETAIL SALES

Total Retail sales were 1.7% ahead of last year, of which new space contributed 3.1%.

Full price sales grew by 2.9%. Markdown sales were 11% down as a result of stock for Sale being 15% lower than last year. This unusually low level of markdown came as a result of a last minute sales surge immediately before the summer and winter Sales. In the year ahead we expect markdown levels to return to more normal levels.

### RETAIL SPACE EXPANSION

#### Space added in the year

Trading space increased by 280,000 square feet over the year, taking us to 7 million, as shown below.

	Store Numbers	Sq. Ft. (000's)	
<b>January 2013</b>	<b>540</b>	<b>6,728</b>	
New stores	+11	+192	
Closures	-10	-67	
Re-sites (8) and extensions (13)	-	+155	
<b>January 2014</b>	<b>541</b>	<b>7,008</b>	<b>+4%</b>

## Portfolio Shape and Profitability

Whilst our space increased by 4%, the number of stores barely changed. Much of our new space has come from extending and re-locating in existing trading locations. Stores in new locations have been offset by the closure of smaller less profitable shops. As a result of this active management of our less profitable stores, our Mainline portfolio remains highly profitable despite continuing negative like for like sales in many locations. More than 90% of our sales come from stores which deliver more than 15% profit contribution on sales.

Mainline store profitability	Percentage of turnover
>20%	76%
>15%	91%
>10%	96%
>5%	98%
>0%	99.5%

Rental inflation remains very low, with most stores experiencing little or no increase at rent review. In the vast majority of cases, when stores reach the end of their lease, we have been able to reduce rents.

## Returns on Capital and Profitability

Profitability of stores opened in the last 12 months is forecast to average 22% and payback on the net capital invested is expected to be 19 months. Both figures are within Company investment hurdles of 15% store profitability and 24 months capital payback.

New space	Sales vs target	Forecast profitability	Forecast payback
Fashion	+ 4.4%	22%	19 months
Large Home format	+ 3.5%	21%	22 months
<b>Total</b>	<b>+ 4.3%</b>	<b>22%</b>	<b>19 months</b>

## Retail Space – Pipeline

We continue to look for opportunities to profitably increase UK selling space. For the coming year we expect to add 360,000 square feet (net of closures). We expect 113,000 of this to come from three large Home format out-of-town stores. For two of these shops (Maidstone, Kent and Hedge End, near Southampton) they are being built from the ground up to our own design, enabling us to ensure that the architecture of the building reflects the aspirations of our Brand.

## RETAIL SERVICE

If our customers were to be asked to rate NEXT's service we believe many would say it was generally good but not consistently exceptional. We think that we have an opportunity to improve both the consistency and quality of our retail customer service. During the last six months we have changed our recruitment processes, appraisal systems, training materials, man-hour planning systems and monthly bonus scheme with a view to focussing our store teams on providing better service. Initial results have been encouraging but there is a way to go.

In addition, we aim to improve the levels of staff experience in the business by increasing the average weekly contract worked by our staff. This change will take time and will be achieved through natural staff turnover. So that as and when staff leave the business some of their hours will be re-allocated to existing team members who want the extra work.

## STRATEGIC REPORT

## RETAIL PROFIT ANALYSIS

Full year operating margin improved by 0.5% to 15.6%. The table below sets out significant margin movements by major heads of costs.

<b>Net operating margin last year</b>		<b>15.1%</b>
<b>Bought-in gross margin</b>	In line with last year.	<b>0.0%</b>
<b>Lower markdown</b>	Retail stock for Sale was down 15% with markdown sales down only 11%. Margin improved as a result of (1) higher participation of full price sales during the year and (2) improved clearance rates of Sale stock.	<b>+0.8%</b>
<b>Reduction in freight, fabric and stock loss</b>	Lower freight costs, improved fabric utilisation and reduced stock loss all served to increase margin.	<b>+0.5%</b>
<b>Reduction in store payroll</b>	In-store efficiency initiatives covered the cost of the annual pay review.	<b>+0.1%</b>
<b>Increase in store occupancy</b>	Rents and rates increased as a percentage of sales due to (1) negative like for like sales, (2) business rates and some rent inflation and (3) additional repair and store equipment write off costs.	<b>-0.7%</b>
<b>Central overheads</b>	Increased cost mainly due to staff incentives.	<b>-0.2%</b>
<b>Net operating margin this year</b>		<b>15.6%</b>

## DIRECTORY

## SALES ANALYSIS

Directory sales were 12.4% ahead of last year. The table below shows the contribution to growth made by our UK and overseas online businesses.

	Contribution to sales growth
UK	8.5%
International	3.9%
<b>Total sales growth</b>	<b>12.4%</b>

## NEW CUSTOMERS

Directory active customer numbers increased year on year by 10.8% to 3.7 million, with growth coming from UK credit, UK cash and Overseas customers.

Average customers ('000s)	Jan 2014	Jan 2013	Change	Contribution to customer growth
UK cash customers	<b>633</b>	493		
UK credit customers	<b>2,798</b>	2,697		
Total UK customers	<b>3,431</b>	3,190	+ 241	7.2%
Overseas customers	<b>268</b>	148	+ 120	3.6%
<b>Total active customers</b>	<b>3,699</b>	3,338	+ 361	<b>10.8%</b>

**DIRECTORY DEVELOPMENT - UK**

**Service Improvements**

In October of this year we introduced free, next-day delivery to stores for customers who ordered before 10pm. This service is now available in 341 stores, which account for 74% of our retail turnover. As a result the percentage of orders made from home and delivered to store has risen from 30% to around 45%. In the year ahead we intend to extend this service to stores accounting for 99% of our retail turnover.

Going forward we will increase focus on improving the reliability of our Directory services. We fail to deliver around 2% of our parcels at the promised time, but know that there is an opportunity to improve this reliability. However, whatever improvements we make, there will always be a small number of errors. How our staff handle these rare events is central to developing our reputation. A Company's ability to rectify mistakes is, for many customers, the litmus test of great service. We can do much to respond better to these occasions through improved recruitment, staff training and systems.

**Directory Product Offer**

Our retail stores receive injections of new lines roughly every six weeks, with the year being divided into nine Retail phases. Directory has been reliant on the publication of four big catalogues and has missed out on some of the newest Retail stock. In future we will be adding stock to our website to coincide with our Retail phases, this stock will be supported by a number of "New-In" brochures.

For some years now NEXT has sold non-competing non-NEXT brands through the NEXT Directory. This year we are further expanding the branded offer in the Directory itself and, more importantly, trialling a standalone publication devoted exclusively to third party brands. This publication, which is currently called LABEL, has been distributed to 400,000 customers.

**DIRECTORY DEVELOPMENT - INTERNATIONAL**

We continue to make good progress developing our internet business overseas. International online sales grew by 86% and contributed 3.9% to Directory growth. However, with a turnover of just over £100m, it is still relatively small and it would be a mistake to over-emphasise its importance. All overseas sales are currently serviced from our UK warehouses through third party distribution networks.

**Sales Initiatives**

Growth has been driven through a combination of improved pricing, site translations, the acceptance of new domestic currencies and the development of new territories. Of these factors, permanent price reductions have been by far the most important. The table below sets out the international growth drivers for last year and those planned for the year ahead. In addition to the initiatives listed in the table, we will be investigating ways to improve our delivery service in key territories.

<b>Growth Driver</b>	<b>Completed January 2014</b>	<b>Planned by January 2015</b>
<b>Lower Prices</b>	Prices lowered in 28 territories representing 52% of turnover	Prices to be lowered in 5 countries representing only 2.3% of turnover
<b>Translations</b>	Traditional Chinese script (Taiwan)	New languages including French, Spanish, Polish, Arabic, Simplified Chinese script and Hebrew
<b>Domestic Currencies</b>	Five countries converted to domestic currency	11 countries converting to domestic currencies
<b>New Territories</b>		China, Egypt, Brazil, Oman, Saudi Arabia, Belarus, Libya, Malta, Cyprus, Lebanon and Azerbaijan
<b>New Tender Types</b>	Qivi (Russian e-wallet)	Paypal, Klarna (Germany)

## STRATEGIC REPORT

### Online Overseas Profitability and the Year Ahead

Net margins on our overseas business fell from 19% to 18%, reflecting keener prices and some marketing initiatives. We expect net margins in the year ahead to remain at 18%.

Going forward we expect growth rates to ease a little, as the price adjustments made in 2013 begin to annualise. We are currently forecasting for International online sales to grow by 50% to £150m. The table below sets out the last two years sales, profits and net margins alongside our budget for the current year.

£m	January 2013	January 2014	January 2015 (e)
<b>Sales</b>	£54m	<b>£101m</b>	£150m
<b>Net Profit</b>	£10m	<b>£18m</b>	£27m
<b>Net Margin</b>	19%	<b>18%</b>	18%

### DIRECTORY PROFIT ANALYSIS

Full year operating margin improved by 1.4% to 26.7%. The table below sets out significant margin movements by major heads of costs.

<b>Net operating margin last year</b>		<b>25.3%</b>
<b>Bought-in gross margin</b>	Bought-in gross margin improved due to a planned reduction in sales of lower margin electrical products.	<b>+0.2%</b>
<b>Lower markdown</b>	Directory stock for Sale was down 9% whereas markdown sales were level. Margin improved as a result of (1) higher participation of full price sales during the year and (2) improved clearance rates of Sale stock.	<b>+1.8%</b>
<b>Freight, fabric and stock loss</b>	Lower freight costs, improved fabric utilisation and reduced stock loss.	<b>+0.2%</b>
<b>Service charge &amp; bad debt</b>	Service charge income increased, but at a lesser rate than total sales due to the increased participation of International and UK cash sales.	<b>-0.4%</b>
<b>Increase in warehouse and distribution costs</b>	International sales increased distribution costs, reducing margin by -0.7%. Using our store network for more UK parcel collections and returns improved margin by +0.2%.	<b>-0.5%</b>
<b>Catalogue production costs</b>	Catalogue production costs increased, but at a lesser rate than sales.	<b>+0.2%</b>
<b>Central overheads</b>	Reduced margin mainly due to increased staff incentives.	<b>-0.1%</b>
<b>Net operating margin this year</b>		<b>26.7%</b>



## COST INFLATION AND COST CONTROL

This year we have more than offset cost increases with cost savings. The tables below outline the main contributors to cost increases and cost savings over the last year. Cost control remains at the heart of the business and we remain determined that cost savings must come through innovation and efficiency rather than any compromise to our product quality or services.

Cost Increases	£m
Cost of living awards, other wage related inflation and staff incentives	28
Rent, rates & other occupancy costs	13
Costs of Directory delivery service improvements	9
Warehouse capacity	5
Systems investments and other	4
<b>Total Cost Increases</b>	<b>59</b>

Cost Savings	£m
Lower markdown	18
Freight, fabric and stock loss	15
Directory operating efficiencies	15
Retail manpower efficiencies and other cost savings	13
Non-stock purchasing improvements (e.g. paper)	7
Other	4
<b>Total Cost Savings</b>	<b>72</b>

In the year ahead we expect cost increases of around £44m. Anticipated wage increases account for £27m of this rise, the majority of which comes from our annual cost of living award. We expect these cost increases to be more than offset by cost savings.

### Head Office, Warehouse and Systems Projects 2014/15

The rapid growth of our Online and Home businesses means that we have an unusual number of big systems and warehousing projects starting in the current year. These projects will give some operational benefits but are mainly required to facilitate continued growth or replace obsolete systems. Most systems development costs are revenue costs and written off in the year they are incurred. Hardware and other infrastructure are depreciated over the life of the asset.

The table below sets out the largest projects and their estimated capital and revenue costs.

	Project Life Years	Revenue Costs (£)	Capital Costs (£)
Store till, back office and payment systems upgrade	1	£3m	£8m
Mainframe upgrade and modernisation	2	£3m	-
International website re-write and convergence with UK	2	£1m	-
Systems office refurbishment and data centres	1	-	£5m
Home warehouse expansion (including £8m for land)	2	-	£11m
<b>Total</b>		<b>£7m</b>	<b>£24m</b>
Total likely to be incurred in year ending January 2015		£5m	£20m

## STRATEGIC REPORT

## OTHER GROUP BUSINESSES

## NEXT SOURCING

NEXT Sourcing (NS) had a good year, increasing sales and achieving a profit of £34m. NS competes for business against the many other suppliers to NEXT Retail and NEXT Directory, it continued to provide more than 40% of NEXT Brand stock. Each of its in-country offices operates in a very competitive environment, both against external suppliers and other NS offices.

£m	2014	2013	
Sales	571.2	507.1	+13%
<b>Operating profit</b>	<b>34.1</b>	30.8	+11%
Operating margin	6.0%	6.1%	

We are forecasting NEXT Sourcing profits of £36m in the year ahead.

## INTERNATIONAL RETAIL AND FRANCHISE STORES

Our franchise business, with partners operating 173 stores in 35 countries, continued to grow both sales and profits. The number of directly owned stores has been reduced to 16 and they broke even for the first time. Our 11 stores in Central Europe made a small profit, offset by a small loss in China. We do not aim to expand our directly owned international stores. Revenue and profit are set out below.

£m	2014	2013	
Franchise income	71.0	61.5	
Owned store sales	14.6	16.2	
Total revenue	85.6	77.7	+10%
Operating profit	12.1	8.4	+44%

We are budgeting for International Retail to make a profit of £14m in the year ahead.

## LIPSY

Full year sales of £63m and operating profit of £5m, before amortisation and profit share of £2m, was the best performance in our five years of ownership. Lipsy's retail sales were £20m, taken from 49 stores trading 57,000 square feet, and sales to wholesale customers were £22m. Online sales, through Lipsy's own site and the NEXT Directory were £21m. We expect further sales and profit growth from Lipsy in the years ahead.

## CENTRAL COSTS AND OTHER ACTIVITIES

The table below sets out other Group and non-trading activities.

£m	2014	2013
Property management	1.8	3.5
Central costs	(33.3)	(35.3)
Pension variation	2.6	3.6
Unrealised foreign exchange	(5.9)	3.4
Associates	2.5	0.6
<b>Total</b>	<b>(32.3)</b>	<b>(24.2)</b>

### UNREALISED FOREIGN EXCHANGE IAS 39

The £6m loss for the year compares with a £3m gain in the prior year. At this time it is not possible to predict the year ahead, so group profit guidance assumes no IAS 39 gain or loss.

### INTEREST AND TAXATION

The interest charge was £28m, £1m less than last year. For the coming year we expect net debt to again range between £500m and £750m. This will result in an interest charge of £30m due to the higher level of bond debt and low interest rates available on cash deposits.

Our tax rate reduced as expected to 20.4%, due to the reduction in headline UK corporation tax rates and agreement of prior year items with HMRC. We expect our effective rate will be no higher than 21% in each of the next two years.

## BALANCE SHEET AND ORDINARY DIVIDENDS

The balance sheet remains strong, with year end net debt of £517m and forecast peak borrowing requirements being very securely financed by our bonds and committed bank facilities of £1,088m. During the last six months we repaid the 2013 bond, issued a new 12 year bond and extended our bank facility, all as set out below.

	£m
2016 bonds	213
2021 bonds	325
2026 bonds	250
<b>Total bonds nominal value</b>	<b>788</b>
2019 committed bank facility	300
<b>Total debt facilities available</b>	<b>1,088</b>

### FINAL DIVIDEND

We have proposed raising our final dividend to 93p, taking the total dividend for the year to 129p. The increase of 23% is in line with growth in underlying EPS. Dividend cover remains at 2.8 times.

## STRATEGIC REPORT

### CASH GENERATION, SHARE BUYBACKS AND SPECIAL DIVIDENDS

#### CASH GENERATION

Over the last year we generated £326m of surplus cash after capex, interest, dividends and tax, of which £26m was used to maintain our ESOT. The balancing £300m was returned to shareholders through share buybacks and permanently increasing the level of cover in our ESOT (which enhances EPS by as much as a buyback).

We expect to generate around the same amount of free cash in the year ahead and are again budgeting to return £300m of cash to shareholders during the year. We paid a £75m special dividend in February and have committed to a further £75m special dividend which will be paid in May. Assuming the share price remains at its current level and our profit expectations remain unchanged, it is our intention to carry on paying quarterly special dividends for the remainder of the current year.

#### SHARE BUYBACK PRICE LIMIT GOING FORWARD

In the Chief Executive's Review last year we set out the criteria by which we would decide the maximum price the Company would pay to buy back shares. We introduced the concept of Equivalent Rate of Return (ERR). ERR is the return required from an alternative investment, if that investment were to produce the same level of earnings enhancement as the proposed buyback. We set the minimum ERR at 8%, which we consider a reasonable target for a return on equity investments.

Over the course of the year we have discussed this concept with our shareholders. Most agree that the 8% limit is reasonable but many have commented that it would be more logical to use the Company's guidance for forward profits as a basis for calculating the 8% ERR, rather than historic profits. We agree with this point and, going forward, will set our price limit on the basis of the mid-point of our forward guidance.

For year ending January 2015 the mid-point of our guidance is for profit before tax to be £750m (see below). On this basis a buyback of £300m at £62.45 would give an ERR of 8% and this figure now represents our upper limit for share buybacks. For clarity, in order for us to revert back to a buyback programme we would need to be convinced that any share price move below our target was likely to be sustained and that our profit expectations had not changed.

## OUTLOOK FOR 2014

### THE CONSUMER ECONOMY

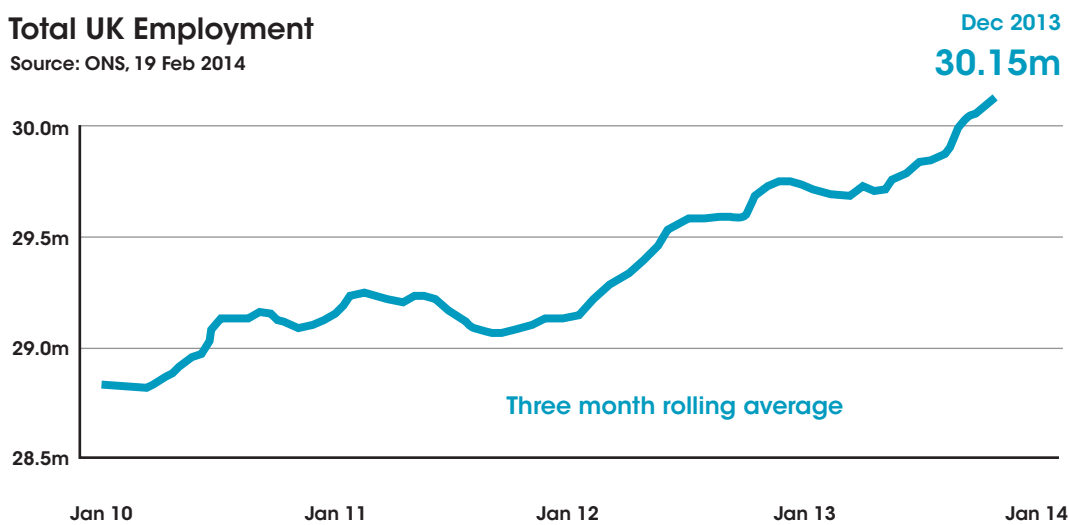
The consumer economy has steadily improved over the course of the last year. This modest improvement looks set to continue. However, conditions are likely to remain far from buoyant and there are real risks to the sustainability of the current recovery.

### Employment Remains Strong

The most positive aspect of the economy remains employment, which continues to rise to record highs.

#### Total UK Employment

Source: ONS, 19 Feb 2014

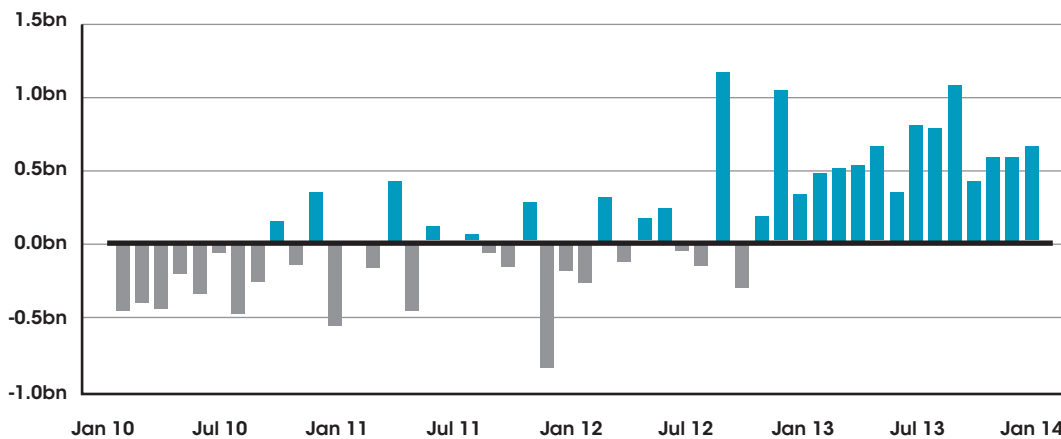


### Credit Constraints Recede

Consumer credit has been steadily flowing back into the market. The graph below shows the reversal of credit flows back into the market during 2013, with positive flows of around £7bn during the year (which equates to around 1% of UK earnings). Mortgage approvals are also growing strongly and housing transactions are following suit, this change has been reflected in strong growth in our Home division over the last six months.

#### UK Credit Flow

Source: Bank of England, 3 March 2014



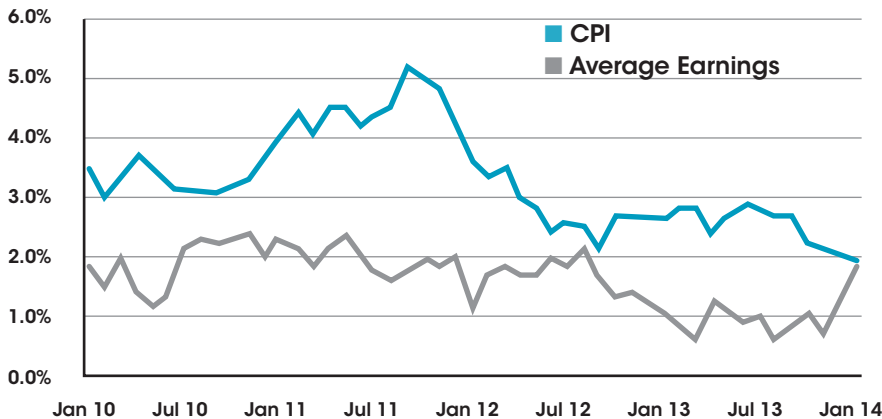
## STRATEGIC REPORT

### Real Earnings Pressure Easing but Still Negative

Throughout 2013, growth in earnings began to close the gap with inflation. Encouragingly, in January there was little or no decline in real earnings. If this trend continues, and real earnings move into growth, it will be good news for the UK consumer environment. It would be the first time we have seen growth in real earnings for over five years.

#### UK Real Earnings - CPI and Earnings Growth

Source: ONS, 18 February 2014 (CPI), ONS, 19 March 2014 (Wage Inflation)



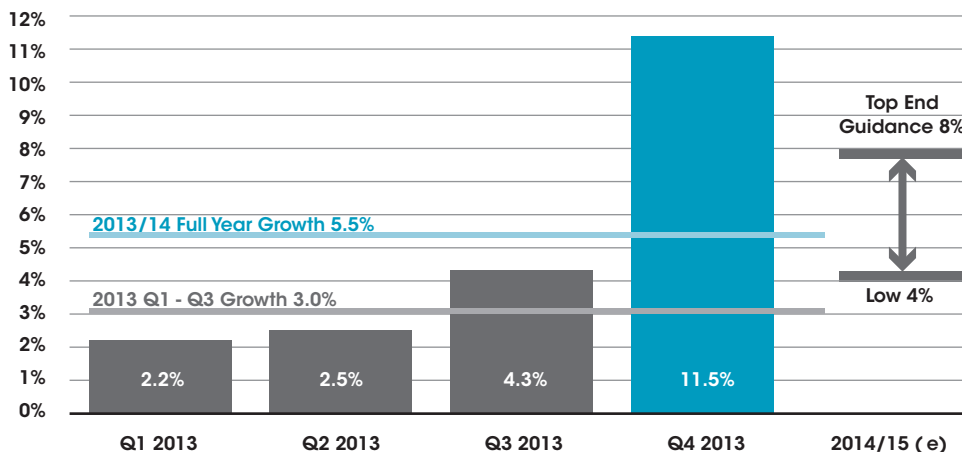
Nonetheless, it is worth noting that last year's increase in spending appears to have been driven through increased credit (see above). If anything has been learnt from the last ten years it is that credit cannot continue to grow faster than wages forever. Until we see significant increase in the supply side of the economy (profitable investment and improved productivity), we cannot bank on a return to sustained growth. Consequently we remain cautious in our budgeting for the year ahead.

### OUTLOOK FOR NEXT BRAND SALES 2014

We are budgeting for total NEXT Brand sales growth of between 4% and 8% in the year ahead, this compares to the 1% to 4% estimate we gave at this time last year. It reflects the underlying improvement in the economy and the fact that we are opening 1% more new space than last year.

Some might argue that our sales range is conservative when compared to the 5.5% growth we achieved last year. However, last year's total was significantly enhanced by the exceptional last quarter. In the year ahead we expect the fourth quarter to provide tough comparatives and it will be hard to beat. Accordingly we are budgeting very cautiously for the final quarter. The chart below illustrates the anomalous performance in Q4.

NEXT Brand Quarterly Sales Growth 2013/14



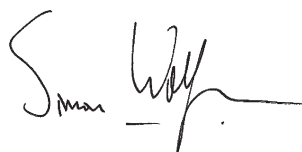
## GUIDANCE – GROUP PROFITS AND EPS FOR THE YEAR AHEAD

The table below sets out our guidance for the full year. For the purposes of this guidance we have assumed that surplus cash of £300m is returned as special dividends, in reality this will depend on the prevailing share price as explained above.

Guidance Estimates	Lower end of guidance	Upper end of guidance
Total Brand sales % growth	+4%	+8%
Profit before tax	£730m	£770m
Profit before tax % growth	+5%	+11%
Ordinary Dividend Yield (assuming £65 share price)	+2%	+2%
Special Dividend Yield (assuming £65 share price)	+3%	+3%
<b>Total Shareholder Returns</b>	<b>+10%</b>	<b>+16%</b>

## INTERIM MANAGEMENT STATEMENT

Our next statement will cover the first thirteen weeks of the year, to 26 April 2014, and is provisionally scheduled for Wednesday 30 April 2014.



### Lord Wolfson of Aspley Guise

Chief Executive  
20 March 2014