

As many of you will be unfamiliar with some of these formats, I'd like to now show you a brief video of the various stores. Maybe. Skip it? Okay. Well, we'd invite all of you to visit our stores in the US and the UK and see for yourselves.

Looking at the US -- I'm sorry. In the UK, available statistics are not as good as in the US, but estimates are that the market was about 15% of the size of the US in 2008, the last year for which data is currently available. Our UK market share is about 10% and Signet has more stores than the next five specialty operators combined.

In the US, we have a 4.2% share of the total market, which in 2008 was \$60 billion. We're the leading specialty operator with a 9% share of that market; 50% larger than the number two specialty operator. Our scale helps us to drive our sustainable competitive advantages, as does our ability, where appropriate, to transfer best practices between our two divisions.

Looking at the US specialty market in a little more detail. It's very fragmented -- one or two independent operators accounting for over 50% of this sector, and the three largest firms only having a combined market share of about 20%.

Although our market share was little changed in 2007 and 2008, this reflected our focus on merchandise gross margin dollars at a time when a number of our larger competitors had significant inventory clearance sales often connected with entering Chapter 11 or going out of business, as well as an outperformance in the luxury sector by the jewelry market in those years.

Over the last two years, four of the top ten middle market brands have liquidated or gone into Chapter 11, resulting in about 1,000 store closures. In addition, two other top ten mid-market brands reduced their store count by about 10%. This pattern was repeated among smaller chains and independents and accounted for about 21,500 specialty jewelry stores at the end of 2008, a 14% decrease over the five-years shown.

Up until 2008, the number of specialty retail firms were reduced by about 400 firms each year, with a broadly similar number of closures. In 2008, an estimated 1,800 jewelry stores, representing about 8% of space capacity or 5% of specialty sales. This included about 800 following the liquidation of Friedman's and Whitehall.

We anticipate closures in 2009 to have been in the range of 750 to 1,500 stores, a little less than in 2008, but significantly ahead of historical levels, with the largest number of closures being 160 by Zales and just over 100 by Finlay. We would anticipate that store closures are likely to remain above historic levels in 2010.

Furthermore, many of those competitors who remain in business continue to weaken as they are forced to make draconian cuts to expenses and inventory, which will reinforce our competitive advantages within the sector.

Our strategy in the current tough environment is to enhance our position as the strongest player in the middle market jewelry sector, and to drive profitable market share. At the same time,

we're focused on profit and cash flow maximization by reducing costs and tightly managing working capital.

We have a strong balance sheet with robust coverage ratios, committed facilities to 2013, and plenty of headroom. We're using our financial strength as a competitive advantage, for example, in our supply chain, in real estate negotiations, and in the provision of consumer credit.

We have a very disciplined approach to investment, whether in terms of operating expenditure or use of capital. For capital investment, we require a 20% IRR on a pre-tax discounted cash flow over a five-year period. The key assumption in these appraisals is sales. Therefore, until we have some sales visibility return we have very significantly reduced our capital investment with store space expected to be slightly down in 2010 and 2011.

Looking at our sustainable competitive advantages in the four key areas of retailing. In jewelry, where every item is under lock and key, high quality customer service is of particular importance. Therefore, staff training, development, and incentivisation are strongly embedded in our culture and in our operations.

In the US, we have over 5,000 qualified diamondologists with at least one in every store, and all store managers have to be qualified as a diamondologist. In the UK, our training programs are recognized by the National Association of Goldsmiths as being the best in the sector. In addition, we have measurable customer satisfaction and store standards.

Our brands have significant equity and consumer awareness. Our marketing-to-sales ratio is well above the average, which when combined with leading brands by sales gives us a significant lead in terms of share of voice. Both Kay and Jared have the critical mass to advertise in national television, which is the most effective and efficient marketing channel for middle market jewelers.

In the UK, H. Samuel is the only specialty jeweler to use national TV advertising. In addition, market research shows that our campaigns are very well received by consumers, which further reinforces this advantage.

We have well located and high quality real estate, having applied very strict investment criteria consistently over time. In merchandising, we have very sophisticated supply chain and demand-driven systems supported by strong inventory management and, when required, 24-hour replenishment.

We also have a record for developing differentiated ranges that drive footfall, and our strong balance sheet and distribution network means that we're particularly attractive to vendors as they bring new products to market. These differentiated ranges include the Leo Diamond, the most successful brand of diamond in the US market, which we began to develop in 2000 and we continue to expand.

In 2008, we rolled out for the holiday season the very successful Open Hearts by Jane Seymour collection; it continued to show strong growth in 2009. This past holiday season, we had another

highly successful launch of a program called Love's Embrace. Hopefully, you all saw the commercials on national television in November and December as part of our national advertising.

While these are exclusive to Signet, we've also developed relationships with some vendors where distribution channels are tightly controlled or where we can obtain exclusive designs. A good example of this is Le Vian, an internationally renowned designer and manufacturer of jewelry featuring colored gemstones.

We're the only specialty mall jewelry to stock Le Vian, and in both Kay and Jared we have exclusive designs. This is an important new brand for us because it's very -- most of the purchases are female self-purchasers, which is a growing part of our business.

With each launch, we carefully tested the program using our superior merchandising systems and management expertise. Having committed to a range, we then integrated into our store display, training programs, as well as committing significant inventory and marketing dollars to their rollout. And this is where our marketing campaigns really proved beneficial and have enabled us to create these differentiated ranges and turn them into successes.

Turning to our financial performance this year, group same store sales grew by 5.6% in the holiday period, but they were a little down for the year-to-date with the holiday season seeing a major improvement in the US performance. In the UK, there was some limited adverse impact from bad weather in the final week before Christmas. Performance was broadly in-line with the third quarter despite the benefit of softer comparisons.

For the year-to-date, US same store sales are now flat while the UK is down 2.2%. Total sales at constant exchange rates are marginally positive in both the US and the UK. The currency impact on reported sales was positive over the holiday season. However, the weakness of sterling against the dollar does mean that for the year reported sales will be down.

And while we don't normally give earnings guidance, we do with our holiday trading update, as we're only a matter of 17 days from the year-end of January 30. So we expect income before taxes to be between \$222.5 million and \$232.5 million, giving EPS of between \$1.76 to \$1.84. We also anticipate that year-end net debt will be less than \$50 million, compared to \$471 million at the end of fiscal 2009.

Our US operating margin and return on assets have consistently been above the US industry average. For fiscal 2009, our operating margin before goodwill impairment was 6.8%, reflecting deleverage due to the sales decline. We believe this to be markedly better than our competitors, both listed and private, many of which remain under significant pressure, and we anticipate an operating margin of about 8.5% this year in the US.

Our UK operating margin and return on assets have also consistently been above our competitors. For fiscal 2009, our operating margin was 8.8% and in fiscal 2010, we expect an operating margin of around 7.5%.

Net debt at January 30, 2010 is anticipated, as I said earlier, to be under \$50 million, down by over \$420 million from the comparable figure last year. The ratio of net debt to shareholder funds is expected to be under 3% against 29.2% last year. So the reduction in net debt is driven by adjusted net income of about \$265 million, tight management of working capital. Excluding the impact of US space, the anticipated cash in-flow of over \$215 million represents a change of about \$240 million from last year.

And third, a very disciplined approach to investment, both in terms of the existing business and with regard to new space. Investment in the existing business has been reduced by about \$40 million, and that in new space by about \$75 million. And finally, the elimination of distribution to shareholders, which was a cash savings of about \$124 million.

As for the outlook in 2011, while the economic environment has shown some improvement, it remains challenging. This is particularly so in the UK due to the uncertainty caused by factors such as the upcoming general election and tax increases. Therefore, our operating strategy for 2011 will be largely unchanged.

We'll continue to focus on reinforcing our competitive advantages, keeping tight control of gross merchandise margin costs and inventory, but we don't believe that it's appropriate to have another major cost reduction program in the US and the scope to further reduce inventory is limited. A disciplined approach to investment will be continued. And while we anticipate that net cash generation will remain strong, it's expected to be substantially lower than in fiscal 2010 because of the limited scope for a further reduction that I mentioned earlier.

In summary, we believe that we have a record of consistently gaining profitable market share in good times and accelerating those gains in bad times, an effective strategy for the current tough environment, and an experienced management team able to implement it.

We've maintained tight control of the business, appropriately realigned expenses, reduced inventory, and strengthened our balance sheet and improved our ability to respond rapidly to any change in consumer behavior. So supported by our strong balance sheet, we have significant and sustainable competitive advantages that continue to reinforce our market leadership. This means we're well placed for the challenges of fiscal 2011 and for recovery when it comes.

And now I assume we just have a few minutes --. Yes, Allison?

Allison Malkin: (Inaudible - microphone inaccessible)

Terry Burman: The video? No, I think we can skip the video. We can have a show of hands how many want to see the video, but --. Any questions? If there's no questions, you'll have to sit through the video. So, anybody have any questions? Yes, sir?

QUESTION AND ANSWER SESSION

Unidentified Audience Member: (inaudible - microphone inaccessible)

Terry Burman: Sure. The question was about gross margins and the impact of the volatility of commodity prices -- gold and diamonds -- on our gross margins. As you're all aware, gold has increased substantially. The average gold price this year was up about 30% over last year.

But gold is just about 20% of our cost of goods sold. Diamonds represent about 50% of our cost of goods sold, and they've been running down in the range of -- average diamond prices in the range of about 15%, 2009 versus the average diamond prices in 2008. So you had more or less an offset there, and we didn't have to raise any prices.

This year, however, the gold price increase has been so substantial that we probably are going to look at some of our ranges that have a heavier component of gold. So like gold chains or colored stone merchandise, where the stone isn't as valuable as in a diamond ring.

And we'll probably have to make some adjustments, or at least consider some adjustments, to our heavy gold categories, but we're not looking at across-the-board changes, and we do have some continuing benefit of some lower diamond prices. The diamond prices, I would stress, are starting to firm up in the market, however.

Unidentified Audience Member: (inaudible - microphone inaccessible)

Terry Burman: Well, it was helpful -- it was helpful. I don't want to say what our diamond cost reduction was and how much have benefited our gross margin, but it did largely offset much of the gold increase. But diamonds do turn slower, so that's working its way into the average cost and we'll see much of that benefit come through in this year.

Also, we reduced inventory, so we were buying less. So, diamonds were working their way into our inventory a lot slower than they would normally. But last year, diamond prices were a plus; gold prices were a negative to gross margins. Next year, we would expect similar and possibly some cost increases, as I said earlier, on the gold categories.

Any other questions? Yes?

Unidentified Audience Member: How did Pandora do during Christmas, and is there a way to interpret that for Kay?

Terry Burman: Quick answer is Pandora did great. It brought in a new customer. Again, a female self-purchaser, which is very good for us because as they experience our store environment and our sales associates -- gives customers opportunity to come back. So it really drove traffic, and it drove it right in our demographic. The Pandora demographic is exactly the Jared demographic; that average \$90,000 average household income. So, that was great.

And yes, we are working on -- what did you call it? An interpretation of --?

Unidentified Audience Member: Right.

Terry Burman: An interpretation of it for the mall brands. Pandora doesn't want to -- Pandora couldn't supply another 1,200 doors or mall doors, but we're working on a version of Pandora for our mall doors.

Any further questions? Yes, sir?

Unidentified Audience Member: Terry, one of your big differentiators is your credit cards. [Signet is] one of the few retailers maybe the only jeweler that owns their credit card [list]. Can you talk about how that's a differentiator and what the trends may be -- some of the trends you're seeing in the credit business?

Terry Burman: Credit is a huge component of the jewelry industry and it's very important. It's a very -- especially to retailers, have a huge component of bridal merchandise. So you're selling -- and 45% of our sales are done in bridal merchandise. Many times this is going to a young customer with a very thin file in credit speak or very little credit history. So, it's really a specialization to be able to understand the characteristics of those customers and be able to authorize to them, administer the accounts and collect from them.

And it's not a business in which big providers like Citibank or GE Credit are well experienced because they're doing more broad-based credit authorizations. So, having credit as an in-house is a competitive advantage for us. Many of our competitors, or most of them for financial reasons, have liquidated their credit card portfolio, sold them to third-party providers in order to -- for financial reasons.

I think the best example of the competitive advantage that we have is in 2000, Zale and we both had our own credit card portfolios and we both ran -- were running 52% to 54% of credit sales within our portfolio. Currently, Zale's credit sales as a percentage of total are 40% and ours remain in that 52% to 54% range.

So it's -- I know when you look at the returns from the credit card portfolio -- when we look at the returns or investors look at the returns from the credit card portfolio, they don't see where it makes sense. But if you add in the sales decrement that you probably experience without keeping the credit in-house, then it more than pays its way and earns its return.

Let's see. Any other questions? Done? Yes. Thank you.

