FINAL TRANSCRIPT

Thomson StreetEvents℠

SIG - Signet Group Investor Day and Store Tour, Akron, Ohio

Event Date/Time: Aug. 12. 2008 / 9:00AM ET

CORPORATE PARTICIPANTS

Terry Burman
Signet Group Plc - CEO

Rob Anderson
Signet Group Plc - Chief Executive, UK Division

Mark Light
Signet Group Plc - Chief Executive, U.S. Division

Walker Boyd
Signet Group Plc - Group Finance Director

Tryna Kochanek
Signet Group Plc - SVP of Field Operations

Ed Hrabak
Signet Group Plc - SVP General Merchandise Manager

Bob Trabucco
Signet Group Plc - EVP & CFO, Sterling Jewelers

Bill Montalto
Signet Group Plc - COO, Sterling Jewelers

PRESENTATION

Terry Burman - *Signet Group Plc - CEO*

Thanks for attending this event here at Sterling Jewelers in -- here in beautiful Akron, Ohio where the sun always shines. Or at least on this day in August.

I'm Terry Burman, CEO of Signet Group and it's a pleasure to have all of you here in Akron, Ohio to review our operations. Before we start though, I'd like to ask you to please ensure that your mobile phones and your BlackBerries are switched off as they may interfere with the audio-visual equipment.

During today's presentations, we will, in places, discuss Signet's outlook -- business outlook and make certain forward-looking statements. Any statements that are not historical facts are subject to a number of risks and uncertainties and actual results may differ materially.

We urge you to read the risks and other factors and cautionary language in the annual report on Form 20-F that was filed with the SEC in May 2008. We also draw your attention to the next two slides.

Our first speaker this morning will be Rob Anderson, who's the Chief Executive of our UK division. Rob has been with the group since 2000 and UK Chief Executive since the start of 2003.

He'll be followed by Mark Light, who's the President and Chief Executive Officer of our U.S. Division. Mark's career at Sterling started in 1978. He became the U.S. Chief Executive in January of 2006. Mark will introduce the other speakers at the start of his presentation and give you more details of today's program. There will be time after each speaker for you to ask questions and we'll be pleased to take your corporate or your general questions over lunch.

In the past, we have always had requests for some time to do some personal shopping. Therefore, unless you are heading straight for the airport, we hope to give you -- hope to have the time to give you an opportunity to do some shopping at the end of the day, where you can experience first hand the skill and the knowledge and the enthusiasm of our stores staff. And we're also pleased to offer you a 25% courtesy discount on your purchases.

For the tours, you'll be split into two groups as indicated on your schedule and on your badge. And these have been put together in part dependent on whether you're going to the airport or returning here for dinner this evening.

Before handing over to Rob, I'd briefly like to outline some fundamental Signet Group operating principles that underpin everything we do here in the U.S. and in the UK.

First continuous improvement. We believe we can always improve every aspect of our business and we continually strive to do so. We hold ourselves and each other to high standards in excellence and execution. To achieve this, we believe it is important to have a narrow and deep focus. We do not want to get distracted by spreading ourselves over too many formats.

Therefore we test before we invest. We don't want to waste resources, either human or financial, by acting on a hunch. We want to make sure we understand the impact of any initiative and that we can achieve an appropriate return before we put significant resource behind it. However, if we see an idea that's working, we'll quickly implement it and with confidence.

We also have a demanding investment hurdle, a 20% internal rate of return over five years on a pre-tax basis. We closely monitor and measure what we are doing and manage risks appropriately. And this involves financial discipline and a strong focus on return on investment.

Our operating principles are reflected in our group strategy, which includes maintaining sector leading performance standards on both sides of the Atlantic, both operationally and financially, continuing to increase store productivity, growing new space in the U.S; and maintaining a strong balance sheet, enabling us to further build on our competitive strengths, both in strong and weak economic conditions.

We built the company for times like these. Any specialty retailer needs to consider the business cycle when planning their strategy. They should prepare for tough times by building superior operating practices, high quality assets and a strong balance sheet in good times.

I believe we have done all of these things with significant operational strengths and the fundamental retail disciplines of store operations, merchandising, marketing and real estate. We also have significant financial strength, so we are able to maintain our strategy through a downturn, rather than having to take drastic changes or cutting at the muscle of the business. You'll hear what all -- what this means in practice during the presentations later today.

Longer term, by achieving superior same store sales and sector leading space growth, we can build our established competitive advantages, reinforce our industry-leading brands and position, and leverage our cost base.

With regard to trading this year -- well, it's certainly a challenging environment on both sides of the Atlantic. And in the first six months, group comp store sales were down 3.4%. The achieved gross margin was up in the first quarter, which only partially benefited from the price increases that we have implemented. For the year as a whole, it's our objective to at least maintain gross margin at last year's level.

We have a tight control of costs and we have taken appropriate action to realign them with sales where we can, without harming our competitive strengths. We focused on aligning our inventory to our sales by reducing SKUs as appropriate and minimizing any inventory that is not in store and is therefore unproductive.

We're also very focused on creating exclusive ranges of merchandise that will differentiate us from our competitors. In addition, we have more than halved the rate of net space expansion in the U.S., as a result of maintaining our demanding investment hurdle rate, while reducing sales pro formas. We are anticipating a cash outflow this year at the lower end of our previously announced $40 million to $80 million range, after dividend payments, but before foreign exchange adjustments and movements in equity. And that's subject, of course, to general economic conditions.

In June, we renewed our working capital syndicated bank facility with an increase in size to $520 million, while maintaining the same covenants. In these times, a strong balance sheet and financial flexibility are very important competitive strengths.

On July 24th, we sent details of the proposed -- of the proposal to move our primary listing to the New York Stock Exchange to our shareholders. Our rationale is that U.S. based investors are more familiar with our business and the retail marketplace in which we operate, better understand the U.S. economic environment, have a lower foreign exchange exposure, and have a more appropriate peer group by which to value Signet.

The domicile of the holding company will move to Bermuda, to minimize the impact on current holders who are international investors, and to avoid the negative tax consequences of moving to the U.S.

We will also be maintaining a secondary listing in London. Following extensive consultation, the Board believes that on balance shareholders will support such a move and that the proposal is in the best interests of Signet and its shareholders taken as a whole.

I'd like to, just before I introduce Rob Anderson, I'm not going to take any questions right now. As I said earlier, there'll be an opportunity during lunch to ask general or corporate questions. And we'd like to get into the presentations and you'll have an opportunity to ask questions of each of the presenters just after they do their presentation.

So now, Rob Anderson, the UK CEO.

Rob Anderson - *Signet Group Plc - Chief Executive, UK Division*

Thank you, Terry. Good morning everybody. In the UK, we operate the top two jewelry retail brands. H. Samuel represents about 55% of the division's sales. It's located in almost every medium and large retail center, with a typical net store size of 1,100 square feet. It targets the middle market customer with a household income between GBP15,000 and GBP40,000. To help you position the brand, its watch selection goes up to Seiko, Rotary, and DKNY level.

Ernest Jones accounts for the other 45% of the UK sales. It's the second largest jewelry chain, represented in most large retail centers with an average net store size of 870 square feet. It targets the upper middle market customer, with a household income of 30 to GBP50,000. The watch brands go from the top of H. Samuel range up to Rolex and other prestigious brands such as Breitling, Tag Heuer, and Omega. It also has a strong fashion watch representation.

H. Samuel has a low transaction value, partly reflecting that 12% of its merchandise sales are in the high volume, but moderately priced gift category. While targeting the same customer, it has been successfully repositioned in recent years to focus more on selling diamonds, with a significant increase in mix to 22%.

As part of this repositioning, H. Samuel has been focused on larger centers, where consumers are increasingly shopping, while closing stores in smaller centers as leases end. It's the only specialty jeweler in the UK to use national TV advertising and has the most visited website in the sector, which has been transactional since 2005.

Ernest Jones is the leading diamond and watch specialist in the UK, with both accounting for about a third of sales. It has a higher average transaction value than H. Samuel and the highest sales per square foot of any Signet brand. It also has the second most visited UK jewelry website, which has been transactional since 2006.

Over the last five years, the profitability of Signet UK has been well above the average for middle market jewelers, even though sales growth has been below average due to a rationalization of the H. Samuel estate. We have as many stores as the next five largest operators combined and have clear market leadership in a fragmented market of about 7,000 stores in total.

The market size is GBP4.5 billion and per capita spend on jewelry is about half that of the U.S. The industry has grown over the last 27 years, at just over 5% per annum with only three down years. Signet has a 12% market share, which is twice the size of the number two specialty operator.

This slide shows the size and positioning of the various retailers in the UK. The red circles are the Signet brands, the dark blue the top five specialty operators, all privately owned. The purple are the generalists. Argos, a catalogue showroom operator, is part of the home retail group. And ASDA is owned by Wal-Mart.

In the UK, we have sector-leading operating metrics, which we intend to maintain by continually improving our execution. We are increasingly using our scale advantages in a fragmented market. I'll come back to this shortly.

Given our excellent geographic coverage, growth in the UK is about increasing store productivity. In particular, by raising the average transaction value. This is being achieved by concentrating on the fundamental retail disciplines, drawing on the best practice from our U.S. business.

Looking at each of these in turn. As in the U.S., customer service is essential. Historically, it's been at a lower level in the UK and consequently, has been a key priority in recent years. While everyone talks about training and customer service, we've lived through the process of improving both.

Even with the availability of U.S. best practice, it's been a multi-year project, taking a tremendous concentration of effort. We focused on selling skills and product knowledge and employ half of all UK JET 1 trained jewelers, a third-party accredited industry qualification.

We've also greatly improved our execution, through coordination of in-store training, merchandising, and marketing. A commission scheme, similar to the one operated here in the U.S., was tested in 2006 and rolled out in 2007. We're also currently developing a customer satisfaction tracking system based on the one you'll see demonstrated here this afternoon.

In merchandising, our scale brings major advantages in terms of systems and direct sourcing of diamonds and gold. Over time, we've reduced the number of SKUs to present a clearer proposition to our customers and simplify the selling process for staff. We've also used our scale to develop exclusive merchandise, such as the Leo and Forever diamonds, and [Soulmates], where two matching pieces of jewelry use diamonds cut from the same rough stone.

Key volume lines are an important initiative, which we began last year. Here we use our buying scale to offer a low price while retaining our gross margin. These lines are then strongly promoted, similar to the practice here in Sterling.

This is an example. Last Christmas, we promoted a diamond ring, using the Only At Ernest Jones brand positioning. This offered very good value to the customer and was very successful. In the current environment, these sorts of initiatives are important, although not very common in the UK jewelry industry. We're planning five key volume lines for this Christmas.

These are examples of two more promotions we're running that focus on our exclusive diamond ranges. We've also developed more powerful brand positions. For H. Samuel, it's around helping to express emotion through the giving of gifts. Now I'd now like to show you the H. Samuel TV commercial shown last holiday.

(video playing)

Rob Anderson - *Signet Group Plc - Chief Executive, UK Division*

The Ernest Jones brand emphasizes the beautiful collection of jewelry that can only be found at Ernest Jones. As I've just shown, our promotional activity is in areas where we have a point of difference or where our scale gives us advantage.

In the UK we have a database of 14 million names, which we're increasingly leveraging in more targeted promotional activity. It also gives us the ability to test and develop merchandise programs.

Shown here is an example of a successful promotion we ran this past Valentine's Day at H. Samuel. It drove incremental sales by focusing on a few specific SKUs.

Turning to real estate. In 2000, we started to convert our stores into a more customer oriented design, allowing for greater interaction and better merchandised presentation. This change was supported by training and merchandise initiatives.

In H. Samuel, reflecting consumer shopping patterns, we're focusing on larger centers, where we offer better service and selection, which are two key competitive points. As a result, we're closing 10 to 15 small stores a year as leases expire. This will have little net impact on profitability, but will improve operating margins and return on capital.

This slide shows the transformation of the new design. It moves away from a window-based, self-select format, which is still used by our competitors to a more open, customer friendly layout, which draws on our U.S. experience.

The enhanced Ernest Jones design, which we tested last year, reflects its more fashion conscious watch consumer, greatly improving visual presentation and use of space. The design has also given stronger branding for the watch agencies. We've expanded the watch displays and also improved the diamond sales area. We've been very pleased with the results and have now moved to the first year of roll out. This is part of a multi-year program that is transforming our real estate portfolio.

At the end of last year, half our UK portfolio was in the open store format. Over the next three years, that will increase to 82% and they will nearly all be converted by calendar 2011.

As in the U.S., the UK trading environment is uncertain and pressures on consumers' disposable income is increasing. While inflationary concerns limit the potential for interest rate cuts, employment remains relatively stable. In prior years, increases in gold prices were mitigated by dollar weakness, but gold has now increased in Sterling terms.

In the UK, as expected, the like for like sales growth for the first quarter was not maintained. However, the second quarter was still encouraging, given the demanding comparatives and the division's continued outperformance of the non-food retailers category.

In this environment, we are tightly controlling costs with little change in our cost base, protecting gross margin by increasing prices to reflect the higher cost of gold, using targeted promotional activity to drive foot fall and remaining focused on return on capital employed. This will be achieved through improving inventory efficiency, rationalizing our real estate, and investing in the customer-oriented store format.

In summary, the business has a number of sustainable competitive strengths. It's over twice the size of its nearest specialty competitor and has industry leading operating metrics. We generated an EBITDA of almost $150 million last year, the increase in CapEx being a consequence of returning to the normal refit cycle after testing the new EJ design last year and have significant further opportunity to increase sales and operational execution.

Okay. Thank you very much. I'll now hand over to Mark Light.

Mark Light - *Signet Group Plc - Chief Executive, U.S. Division*

Good morning. And thank you, Rob. We are very pleased to meet you -- to have you all here today and to introduce you to our people and really understand what we call the Sterling difference. And this difference is based very much on the people and the culture that we have built on the successes during the last ten years.

The Sterling difference is made not just by the people who will be presenting to you today, but by every person throughout the organization, all the way through to our part-time sales associates.

The organization chart you see here shows our senior management structure, the majority of whom will be presenting to you today. Members of the U.S. executive committee shown highlighted in yellow, most of whom will be available over the course of the day also, and a more complete organization charts showing areas of responsibility is included in your information packs, along with biographies of all of today's presenters.

I would like to run through the rest of today's program, which I will start with an overview of the U.S. business and I will hand it over to Tryna Kochanek, who will be updating you on store operations. Tryna started her career at Sterling in 1986, as an office manager and worked her way up through the store operations ranks to the position she has today of Senior Vice President of Field Operations.

Ed Hrabak will discuss our strategies and tactics in merchandising. Ed joined Sterling 1987 and also began his jewelry career as a sales associate in J.B. Robinson.

After coffee, Bob Trabuco will bring you up-to-date with credit. Bob joined us in 2003 with extensive experience in retail, financial and operations management.

And Bill Montalto will end the morning with information systems and marketing. Bill joined Sterling in 1986 from Coopers and Lybrand Consulting with a wide experience of retail and management information systems.

There will be time after each speaker for you to ask questions. We'll break for lunch, over which we will be pleased to take your general or corporate questions as Terry stated. Then we'll begin our home office tours.

We'll leave for the stores at 2.30 and for the tours you will be split into groups as indicated on your schedules and on your badges. These have been put together, in part, depend on whether you are going to the airport or returning here for dinner this evening.

Now turning over to the U.S. overview of our business, our competitive strengths our growth strategies, and our investment program.

One of the key tools that help define Sterling's culture is our mission statement. A copy, which is on your pack of materials, is also on the walls here of our training room. Our mission statement has three very critical platforms.

One, it's how we earn the trust of our customers. Two, the manner in which we treat each other. And, three, to achieve a level of return on assets that will motivate investors and lenders to provide capital to expand our company, increase our market share and further improve our profitability and to always, always continuously improve in everything that we do.

A key aspect of our mission statement is our customer first philosophy. This underpins everything we do here in the home office and in our stores. And what it means is that we expect every team member to think about the customer first in everything they do.

For example, if we have a new program that we're leasing out into the field, we expect that IT programmer to put himself in the customers' perspective, how would he like that program and that transaction to flow? Excuse me. And always keep that customer first mentality. And that is throughout our entire organization.

About 45% of our sales are in the year-round bridal and anniversary categories. The other major drivers of revenue is gift giving, in particular Christmas, Valentine's, and Mother's Day. We target the middle market, with an average household income of our mall customer of about $67,000 and $92,000 for Jared.

In fiscal 2008, the average price of an item sold in the mall was about $330. And in Jared, it was about $750. About 75% of our merchandise sales are diamond jewelry. We are a specialty retailer of bridal products and fashion accessories.

Now, I'd like to turn over to the U.S. jewelry sector as a whole. The U.S. jewelry market is about $65 billion and accounts for about half of the world diamond sales. It has shown consistent growth over the last 27 years, averaging almost 6% a year. There have been only three down years in that period, 1982, 1981, and 2001. And each of those years were followed by strong increases.

While the overall market saw a 4.1% increase last year, we held our share as the middle market was hard hit in the fourth quarter by the wider retail slowdown, while the upper end has only been effected since 2008.

The jewelry market is split roughly down the middle, between the specialty and the non-specialty sectors. The more meaningful change has been the growth of the non-traditional sales channels, for example, TV shopping and in particular the Internet. Internet sales include general e-Commerce retailers, such as Amazon, web-based jewelry specialists such as Blue Nile and the Internet sales of firms such as Signet, who are primarily brick-and-mortar.

Now let's take a closer look at the middle market jewelry brands. Overall, the picture shows the larger specialty operators getting a little market share from 14% to 15%. In the middle market, there was -- this was largely due to the growth of Kay and Jared, with the contraction among nearly all the other operators.

Consolidation within the top ten has accelerated in 2008, with Freedman's being liquidated and Whitehall's in Chapter 11 moving towards liquidation.

At the same time, the independent operators have also seen an acceleration in the rate of rationalization, although this has been less well publicized. This will result in a likely closure of between 1,000 and 2,000 stores out of an industry with a total of about 29,000 stores.

Sterling's outperformance is based on a sustainable competitive -- on our sustainable competitive advantages that have been built over time by its very experienced management team.

Our executive committee has an average of about 20 years tenure in the jewelry industry. We also maintain a narrow and deep focus on all aspects of our business. We continually look to build on our strengths in the fundamental retail disciplines, underpinned by our control and our information systems. As well as gaining market share, Signet has set industry leading performance standards across a range of metrics among middle market jewelers in the last five years.

Now let's take a look at our brands. Kay has 894 stores and sales of $1.5 billion, which is 40% more than the number two brand in the middle market. Brand name awareness is very high, driven by integrated multi-channel marketing, using every the "Every Kiss Begins with Kay," campaign.

Part of this is the Kay website, which became transactional in September of 2006. We see e-Commerce as a part of our superior customer service offering and it is fully integrated with our store base. In fact, we are the only jeweler to offer free shipping to one of our stores for pick-up. We have been very pleased with the performance of e-Commerce, although it is not a major part of the business and accounts for less than 3% of Kay sales.

An important development has been the roll out of Kay in an off-mall format, which now makes up just over 10% of our Kay locations. And in fiscal '09, nearly all of Kay's 4% planned net space growth is in the off-mall format.

Jared is our fastest growing brand with 154 stores at the end of fiscal 2008. It is an off-mall category killer concept with superior selection and service targeted at a customer one notch above that of our mall stores. Each store is just over four times the size of our mall store and in space terms.

And in total, Jared is equivalent to over 600 mall stores. With revenue of over $750 million, it is by sales the third largest middle market specialty jeweler in the U.S. A major development over the last two years has been the move to national television advertising. And Jared e-Commerce will be launched this Fall.

The Jared brand is immature, with only about 40% of its stores having traded for five years or more. At maturity, a Jared store has a four-wall contribution rate and return on capital employed slightly above that of a typical mall store.

We plan to open 17 Jared stores this year and following a review, have increased the potential for over 300 Jareds in the long term. The stores continue to meet the sales performance required to satisfy our investment criteria. We've also seen growth beyond the assumed five-year maturity.

The revenue of our regional brands has altered little over the last five years. Performance compared to Kay reflects a difference in the effectiveness of national television advertising as compared to local radio. We are only opening regional brands in locations where the name is well established and there is marketing support.

Given the challenging environment, we have reviewed the regional stores, using our strict return on capital employed and return on marketing criteria. And as a result, the number of regional stores is expected to decline by about 42 stores this year. Now this includes 11 stores that will be rebranded as Kay stores.

In the past we've said that we'd consider an acquisition so as to gain the critical mass for television advertising. However, it is less likely at the moment, as good businesses that we would be interested in acquiring usually only come onto the market in more buoyant times.

While our regional brands may have grown more slowly than that of Kay, their level of performance is still ahead of the industry in terms of sales per store and bring in satisfactory financial returns.

Our space growth is based on very strict operational and financial criteria that we apply to all real estate decisions. Whether it is a new space, release renewals or acquisitions. We have a 20% pre-tax internal rate of return over five years as an investment hurdle. The majority of the cash investment is for working capital, inventory and receivables, rather than in capital expenditures as the stores are leased.

Our real estate criteria has been consistently applied for more than 10 years, and as result, we believe we have a best located stores in the jewelry sector. We have a record of successfully identifying new opportunities, testing them and then steadily rolling them out. Due to this process, we have one of the most consistent records for new store openings in the jewelry business.

Our long-term space growth target is 8% to 10% per year, but reflecting the current economic environment and more cost for sales performance, we'll be adding 4% to 5% net new space this year and probably a similar level in fiscal 2010.

This is an example of our strict operational real estate criteria. As you can see in the green, those are what we call center court corners or the best locations available in the mall. In the red, the good locations are the entrances -- a corner location, our number one entrance, on a food court we have heavier foot traffic.

The yellow locations are okay locations and normally we wouldn't approve a location like these unless it's in one of the best malls in the country. And the gray or light blue boxes are what we call in-line corners and those are just completely unacceptable for us.

And the next slide shows an off-mall -- our off-mall locations and we require good co-tenants with high visibility and accessibility. In this example, you can see the Kay store's positioned between the Toys 'R' Us and the Bed, Bath and Beyond. That's so we can gain the benefit of their foot traffic. Also what you'll notice is the Jared's store is right on the corner of two major roads. We have high visibility to that road traffic.

This shows the planned space by growth for -- by each format. Remembering that the Jared store's equivalent to just over four mall stores. Over 90% of our planned net space for fiscal 2009 is in this format. In the long term, we have the potential to almost double our space in the U.S., focusing on our existing concepts.

We recognized more than ten years ago that we wanted to have a balance between mall and off-mall stores. We wanted to be where the shoppers are. For Kay, this means we are no longer restricted to covered malls, which means there's a much wider availability of real estate.

In off-mall locations, we are competing with independent operators, of which we have a substantial competitive advantages rather than that of the chain retailers. Off-mall locations also offer greater operational leverage at store level as most of them are [in] fixed rents and help to drive leverage [of] our home office. Currently about 45% of our space is in the off-mall format as compared with 25% five years ago. And in fiscal 2009, all of our net space growth is expected to be in such sites.

Unit revenues were down 0.9 of a percent and comp sales down 5.2%. There's been some impact on performance due to a high level of short-term clearance activity by competitors who are managing for cash, not profit or those liquidating their businesses. There's potential gross margin pressures from commodity costs, while the consumer remains under increased financial stress.

As the short order, this has resulted in an acceleration and a consolidation to historic closures and liquidations. This is putting an increasing premium on competent management, operational excellence and a strong balance sheet.

In this environment, we need to balance our longer term strategic goals with priorities of the short-term execution. Therefore, at the start of the year, we carried out a very thorough review of our business. Actions have been taken to drive sales, protect gross margins, control costs tightly, and realign inventory and space growth to the changed market conditions.

For example, the advertising sales ratio will be realigned to a more normal level of about 7%, rather than last year's levels of 7.5%. Similarly, store staff hours have been adjusted and costs in all categories have been reduced.

As a result, our anticipated cost base will be broadly flat on a comp store basis, and this includes an anticipated increase in bad debt and the impact of inflation on costs like occupancy, utilities and labor. Tryna and Bill Montalto will develop these themes later.

While we started the year with excess inventory, about $20 million and a total inventory of over $1 billion, we have sold through this, while increasing gross margin rate. We have also identified opportunities to increase inventory efficiency.

We have increased prices with the aim of at least maintaining gross merchandise margin rates at last year's level and Ed will talk about this in more detail in his presentation. Bob Trabuco will cover how we have responded in credit.

And overall we are being more flexible, appropriately prudent and have shortened our horizons. In these more challenging times, it's the good retailers that show their metal and that are in the best positions for when the consumer recovers. And they will.

Tryna Kochanek - *Signet Group Plc - SVP of Field Operations*

Good Morning. All right, first I'd like to talk with you about the importance of service. In the specialty retail of jewelry, recruiting, training, and retention of the best and the brightest is a priority. Why? Because they're the final two feet of the supply chain -- right across the counter.

Our typical customer is making a purchase with considerable emotional content and has limited product knowledge. There is a fear of the unknown and this is reinforced by the fact that all the merchandise is kept in display cases under lock and key.

As a result, our sales associates are critical to every single transaction as they have to welcome the customer. Build trust through education, find the perfect piece of jewelry, and then, of course, close the sale. In terms of continuous improvement, a good example of this is the repair function, which is important for driving footfall and building trust.

Over the last two years, we have implemented a major program to improve customer service and the profitability of this particular function. You'll hear actually more about this in the Jared store this afternoon. Since 2005, our staff has increased by 25% to around 16,000 full-time and part-time sales associates. And we've improved our customer service standards across all of our stores.

For example, our store managers all have to be qualified diamontologists. In total we now have 6,500 team members that are qualified. That is an increase of 20% since 2005. You know recruitment is a priority in any business but it's crucial in ours. Qualified people to operate the stores is normally the greatest constraint on our rate of growth.

Store and field staff are always on the lookout for the right people. The key to finding a candidate is the right attitude. We can provide all the appropriate training. Therefore, we have developed tests for potential recruits to confirm that they have the right attitude, the right sales skill, and the right customer focus.

Within the sector we are seen actually as a very attractive employer due to our training, consistent growth and stability. District managers and vice presidents of operations, regardless of their background, must have been a Sterling store manager. This ensures that they have an in-depth understanding of our policies, procedures and our customer focus.

Most importantly we know they fit into our culture. We believe in the consistent development of all staff at all levels following structured programs throughout the year. We review our training requirement twice a year based on customer feedback, what our sales associates tell us, and our management priorities for the business. The programs are closely coordinated with merchandising and the marketing departments so that we train and educate on the products that we are promoting.

The programs and supporting materials are then developed by our specialist training team. We actually evaluate most of our training programs using a return on investment model to monitor exactly how effective they are. The administration of staff development has significantly improved with the introduction of the Sterling performance matrix. The administration -- or excuse me, this system that you will hear a lot more about as the day goes on, and you'll actually see it demonstrated in the Jared store.

The system has meant that our district managers, one of our most critical resources, are devoting more of their time to staff development, which is key to our superior performance. Another important practice at Signet is our daily standards. Each associate knows every single day key standards that they need to achieve for success. These standards are the controllables over which they have a direct influence, such as sales, other revenue-generating services, and multiple-unit transactions.

These standards are tracked and a daily report of that particular performance against target, which you'll actually see later on today -- it's displayed in the back room of each of our stores. Staff are helped by training programs to achieve these particular standards. This is reinforced by continuous coaching from store managers and through direct peer support.

You, again, will hear more about this during our store visits. All our field staff are strongly incented with typically 20% to 25% of their compensation coming from incentive programs. Last year it was 19% reflecting the fourth quarter performance.

Monthly commission is based on a mix of individual and store performance encouraging the store to work as a team. The commission rate increases throughout the month as more stretch targets are met. Store managers also receive sales commission, but a far more important element of their incentive compensation is their profit bonus.

We are the only chain jeweler that gives its managers an opportunity to earn an annual bonus based on the profitability of their store. Again, you'll get to see that during this afternoon's visit. District managers also receive bonuses based on key performance indicators such as recruitment levels, training, and of course, sales.

The Sterling performance matrix is a computer-based communication tool between stores, field management, and the home office that was rolled out last year. We currently have the exclusive use of this within the jewelry sector. It helps field operations identify, understand, and prioritize tasks. It has increased gross margin through improved process monitoring and compliance in areas such as merchandise test, product recalls, and trade-ins.

Since it has been introduced, we have seen a noticeable improvement in district managers and store managers productivity. The system also improves feedback and assists in problem resolution.

Hard copies of manuals have been eliminated thus reducing shipping costs and ensuring that the stores have the most up-to-date information. We are only in the early stages of using this system and are just beginning to achieve the total and full potential of this system.

As in all areas of the business, store operations is profit-focused. The high element of performance pay means staffs are rewarded through incentive and we have some downside protection.

This year we have realigned, where possible, staff hours to reflect sales mainly by flexing part-time hours, while retaining a well-trained staff. At the same time, we have focused on providing staff with the right sales training, support, and promotional activity for the current, very challenging marketplace.

This year we are also benefiting from the repair function initiative and the introduction of the Sterling performance matrix. In both areas, we continue to identify opportunities for further improvements.

So in summary, we give our staffs the tools to succeed, superior training, the ability to focus on the customer because they have well-supported systems within their stores, a great merchandise selection, consistency of quality to make it easier to sell, and a better value proposition.

The teams have clear performance standards, receive timely, objective feedback on their performance and they are strongly incented. They are also motivated by good career development opportunities that we offer.

As a result, we have retention rates that run around half the averages seen in many retail organizations, reinforcing the quality of in-store execution. It additionally correlates to our customer service index, which continues to rise annually.

Ed Hrabak - *Signet Group Plc - SVP General Merchandise Manager*

Okay, thank you Tryna. The merchandise team essentially has a very simple task, get the right product, at the right price, in the right place and at the right time. The right product includes the development of exclusive ranges, which is becoming increasingly important in the jewelry sector as we differentiate ourselves from our competitors. In turn we have to manage the gross margin and pursue supply chain opportunities.

In specialty retail jewelry merchandising we have additional priorities and these are ensuring a consistency of quality as every diamond is unique. So that every time the piece of merchandise is removed from a display case by a sales associate they know what to expect and can sell with confidence. And lastly, optimizing inventory investment given that it is the largest element of capital employed.

Jewelry fashions change slowly over time and therefore we are able to test and define every product and program. No competitor has the scale to test across 200 stores and the systems to analyze the results in as much depth or in as timely a manner as Sterling. Therefore, our selection is the most up-to-date and relative to the consumer with very high in-stock levels, and low inventory risk.

The buyers select which product to test. This is then put into 25 to 200 stores for a period of 60 to 90 days across different size stores and market demographics. We then monitor its performance and based on the consumer's response or the poll combining with a gross margin return on investment determine whether to expand, modify or terminate the program.

While there is a core product range that is supported by advertising and runs across Kay and the regional brand. We also adjust the merchandise range to account of each store's propensity to sell, which reflects demographic, regional, and economic variations. To help drive sales, we also differentiate our product by offering clear features and benefits.

These may be obvious in terms of price and quality, but they can also be subtle. For example, in terms of consistency of diamond color between an earring, necklace and ring ensemble being presented to a customer.

There are three distinct but inter-related sections in the merchandising department, Impact merchandising, which includes the manufacturing department and loose diamonds. Impact is responsible for inventory management, planning, analysis and control. Merchandise carries out product sourcing including the development of a bill of materials, which details the component costs of each item we purchase.

And the Loose Diamond department, which is responsible for buying diamonds in the international markets. We will visit the diamond room, the Diamond department during your tour of the home office later today.

The Impact team is focused on making sure that the merchandise is in the right place at the right time. Each category management team, or CMT, is made up of buyers, inventory analysts and planners. The buyers are responsible for product sourcing and in conjunction with the analysts we're setting the selling price and gross margin.

The analysts identify trends, what is selling, what is not, is a particular category slowing or accelerating, are there any seasonal patterns, are consumers behaving different based on household income, geographic location or some other characteristic. These all drive the variation of inventory store by store.

The planner then uses that information to control the open to buy, the receipt of goods, and to monitor GMRI. Merchandise planning is executed by a combination of bottom up and top down planning. The plan covers sales, margin and inventory or owned and consignment and ties out to the financial plan on a monthly basis. The performance against plan is closely monitored and reforecast on a regular basis.

Our merchandise program is based on consumer's buying patterns at store level so they are more likely to find what they are looking for. Each store will have the core merchandise programs, which are replenished on a SKU by SKU basis. This is also complemented by merchandise at an attribute cluster level.

For example, a store may get back a different weight gold heart necklace in the 0 to 199 price range, rather than the original they sold. This provides variety and interest for both the customer and a sales associate. It also helps to quickly identify trends enabling us to call through additional merchandise that is selling well or to address programs that are not.

Customers also benefit from the high in-stock positions we maintain with overnight replenishment at peak times. This helps to maximize sales and employee productivity.

Turning now to cost, pricing and gross margin. For every SKU we have a bill of materials which depicts a complete component breakdown of cost as if we're manufacturing the item ourselves. This provides us with the detailed information we need to negotiate with suppliers from a position of knowledge and strength as we fully understand the production process as well as the material content.

In other words, we are keenly aware of the manufacturer's costs and therefore we can negotiate the best price. Gross margins have been under pressure for over the last five years due to sales mix changes, which has helped drive top-line sales, for example, the growth of Jared where the business model has a lower gross margin, but also a lower cost base. And the increase in diamond participation particularly of larger, better quality stones, which produce a lower gross margin percentage but a higher gross dollar profit.

These have helped drive comp store sales growth and expense leverage. Increased price visibility, due to the Internet, which has come to all types of business, has been a factor in the basic product categories.

And lastly, commodity costs. Polished diamonds account for about half of our cost of goods sold and have seen little increase over the past two years in the size and quality we buy although recent increases in rough prices are beginning to impact the polished market.

The market price of gold accounting for about 20% of our cost of goods sold increased by approximately 30% in each of the past few years. We have responded to these pressures in a number of ways, through supply chain efficiencies, for example, by seeking out and partnering with the lowest cost suppliers that satisfy our quality standards on a worldwide basis.

And using our operational stability and financial strength to negotiate better supply terms and invest in new expertise where appropriate. We have also been developing exclusive merchandise to minimize price comparability. In addition, Tryna talked about the initiatives in store operations that have helped to predict our gross merchandise margin. And we have implemented price increases.

Looking at each of these in turn, starting with the supply chain, most middle market specialty jewelry retails buy from wholesalers and manufacturers as they have insufficient scale to justify any other approach and as a result have few opportunities to improve their supply chain efficiency.

We have invested in the people, procedures, and systems that enable us to source our diamond merchandising using stones purchases loose from cutters and polishers and set by manufacturers on our behalf.

About 50% of our diamond sales are derived from product sourced in this fashion. A major initiative started in 2005 was the development of a rough diamond sourcing capability. This was a logical development of our polished stone expertise.

The advantages of direct sourcing are a cost savings on our largest input cost, the assurance that the diamonds we buy are consistent with the quality of merchandise we sell, and greater transparency into manufacturer's costs when we buy complete.

The 50% level has been broadly stable over time. This is because direct sourcing is not used when manufacturers can match the cost savings, the design is intricate, it involves new designs that we are testing, or it is a higher risk fashion item. The primary reason to develop a rough sourcing capability was to ensure consistency of supply of the quality of diamonds we need to support our growth.

As we explained earlier, consistency of merchandise quality is a very important -- is very important to our selling systems. While historic stockpiles of rough diamonds have been sold down, demand continues to increase and this is beginning to create shortages. In addition, there are changes in the rough industry due to the evolution of the role played by De Beers or the DTC, which we need to take into account.

Further benefits are to capture some of the cutting margin by removing a trading step and to give us a better understanding of the input cost to the polished market. This initiative does not mean a greater proportion of diamonds will be direct sourced, but it does result in some of the polished stones being replaced by rough purchases.

Therefore, a portion of our inventory will be held for about 60 days longer. We have taken time to develop the appropriate strategic partnerships, prove our ability to execute and achieve our necessary return on investment.

The trial was commenced in fiscal 2006. In fiscal 2007 we validated the economics and our ability to execute and last year we moved from trial stage to implementation by putting in place specialists management and setting up a dedicated contract polishing capability. And it satisfied about 10% of our direct sourced polished diamond requirement.

This year we plan to significantly increase this as we continue to develop our expertise and our systems. Now moving to our development of exclusive product ranges. We believe developing exclusive product ranges is more critical than ever as it enhances our ability to attract new customers, keep current customers, and provide a degree of insulation from a competitive pricing environment thereby affording stronger margins.

This slide demonstrates our development of exclusive ranges and the application of our test before we invest principle. It shows the development of the Leo diamond, Peerless diamond and Hearts Desire ranges and the Le Vian as examples.

The Leo was recognized as one of the most successful branded diamonds and is exclusive to Signet in both the U.S. and UK. The range has now been expanded to include Leo Artisan, which obtains a triple very high rating on the Gemex certificate. The Peerless, our own branded ideal cut diamond with superior return of light is now available across the entire Jared chain and will be demonstrated to you later this afternoon.

We have also developed Hearts Desire a range of fashion jewelry utilizing ideal cut diamonds to complement the Peerless diamond. We are now essentially the exclusive mall-based specialty retail jeweler for Le Vian, a very distinctive designer brand, and we are also testing Le Vian boutiques in Jared.

A new initiative this year is the Open Hearts collection designed exclusively for Sterling by Jane Seymour. It has been tested in a 105 Kay stores and online at kay.com and will be rolled out to all mall stores for Christmas.

Signet is the ideal partner for manufacturers developing branding initiatives due to our commitment to testing and then fully supporting successful programs. We are able to support branding through our advertising and have the critical mass to sell significant quantities. In addition, we also have established strong supplier relationships and we have a track record that demonstrates that we can make it work.

An example of this is Le Vian. As well as having Le Vian in all mall stores, we are expanding the range in Jared by testing Le Vian boutiques in 55 Jared stores, one of which you'll see later today. Each has a larger fashion collection with higher price points as well as an assortment of men's diamond jewelry.

In addition, we have worked closely with Le Vian in developing an exclusive gold collection that will be in test this fall. We have also dedicated up to 27 feet of counter space in each of the boutique locations.

Now turning to pricing. We have raised our prices after extensive analysis. The increases were in both basic and fashion ranges and vary from SKU to SKU. Some increases had previously been taken in the latter category. Implementation was in late February and March has improved our overall pricing architecture.

The objective is to at least maintain merchandise gross margin percentage at last year's level, and this includes the impact of a higher level of targeted, revolving promotional activity, which we felt was appropriate in the current environment to appeal to the more price conscious customer.

So far the results have been encouraging. We have been closely monitoring performance by merchandise category and volumes have been a little better than we forecast. Competitors are under great pressure to increase prices as they have lower operating margin and fewer opportunities to implement supply chain efficiencies.

We've seen other chain jewelers raise most of their prices although none have done so as comprehensively as we have. Independent operators have been slower to do so but cash realization may be a priority for them. At the industry level jewelry price inflation has been 9% in the second calendar quarter and industry commentators are expecting further increases to be implemented.

As a result we remain on target to achieve our gross margin objective discussed in the previous slide. We aim to provide competitive advantage to our field staff. They need to have confidence in the merchandise selection, therefore, four key price points we aim to competitors -- or customers, better value than our competitors.

Our sales associates are trained to explain the superior features and benefits to the customer so helping to close the sale. The quality of our diamonds is superior due to our direct sourcing capability, our buying scale and very demanding standards. We are also very careful in matching qualities in multi-stone settings and for style ensembles, again, helping them to close the sale.

Similarly customers expect to see a consistent quality of merchandise in the SKU whether they return to a store for a second visit, go to a different store to view a potential purchase, or buy over the Internet. We also achieve consistently high in-stock positions. Merchandise should be up-to-date and we do not want the store to have a high percentage of discontinued clearance items at discounted prices.

As well as quality basic merchandise, the stores need distinctive merchandise that the customer wants so that we stand out. We're also increasingly developing merchandise targeted at customers with specific characteristics. For example, Le Vian, which is popular with female self-purchaser, Russell Simmons, with younger men, and [17] for the younger female customer. Ask the stores this afternoon if we deliver on these objectives.

In summary, Signet has developed industry-leading merchandising systems to help us differentiate our products, derive margin growth and deliver superior value to our customers. This is based on the expertise of our people, our tried and tested systems and procedures which Bill Montalto and his team are continually working to improve, excellence in execution and are continually looking for ways to maintain and widen our competitive advantage.

Bob Trabucco - *Signet Group Plc - EVP & CFO, Sterling Jewelers*

Good morning and welcome back. I'm Bob Trabucco, Sterling's CFO, and it's my pleasure to review with you next key aspects of Sterling's credit operation. Our private-label credit offer is necessary to compete within the middle market jewelry sector, but as a sales enabler rather than a sales driver.

We sell jewelry, not credit. As executives we have to decide whether to outsource the management of this risk or to assume it in-house. Unlike most of our competitors, our scale means that we have the option. It is important to remember that with outsourcing the credit risk does not disappear. How it impacts the business just alters.

We prefer to directly manage credit operations and the associated bad debt risk ourselves. The banks that provide this service do so to make a profit. As a result, the credit risk becomes a sales risk to the retailer in terms of the level of credit granted and a cost risk in terms of fees paid.

Furthermore, non-jewelry factors such as pressure on bank balance sheets can influence the bank's lending decisions particularly in today's environment when third parties will make decisions based principally on their P&L and balance sheet consolidations which can differ significantly from those of the retailer.

We, therefore, prefer to manage credit within the context of our business rather than give a third party significant influence over half of our sales. As a result, we write and control the scorecards based on our risk parameters, decide on the collection strategies, and set our own customer service standards. All these give us further competitive advantage in the market.

Credit participation has been consistent over the long term at around 50% of sales. As was indicated earlier, when we open a new store the majority of investment is in working capital of which about one third reflects the build in receivables in our in-house credit operation and this is included in the projected 20% IRR we require.

The credit department is run efficiently as an integral part of the business, not as a separate profit center. We have had a specialized central credit function since 1994 including risk management, authorization, customer service, and collection functions.

The authorization process uses sophisticated proprietary statistical scoring models incorporating an automated check of third-party credit bureau for 100% of applications that pass the initial screening.

Where the bureau information generates a referral experienced staff at the home office use additional review techniques. The total average amount of receivables outstanding was around $800 million in fiscal 2008 and this is a highly liquid asset on the balance sheet and it has grown broadly in line with sales.

Having made the decision that it is a competitive advantage to run the credit operation in-house, the decisions regarding financing this asset are made at the group level within the context of maintaining a strong balance sheet and financial flexibility. We undertake much statistical analysis in our management of credit.

Two key performance indicators are the bad debt performance and the collection rate. As shown on the left-hand scale, the net bad debt charge last year at 6.5% of credit sales was at the high end of the very tight historic ten-year range, and as reported for the first quarter of this year it was above it.

Although the monthly collection rate shown on the right-hand scale fell last year, it has been very consistent over the long term reflecting the stable nature of the credit offering. Even with a monthly collection rate of around 13.9% the portfolio represents short-term credit with an average of 7.2 months to collect.

Much of the increase in bad debt has been largely offset by a rise in earnings from the credit book. This reflects the decrease in the collection rate, which by the way, was due in part to a reduction in the level of payments amount above the minimum from approximately 125% to 120% versus the prior year end.

These recent trends do reflect a more financially challenged consumer. The challenges facing the consumer today is also reflected in an increase in the number of credit applications we receive as well as a higher level of rejections with the net impact of this being an increase in the overall level of credit participation. This was up 170 basis points in the first quarter of fiscal 2009.

It is important to note that overall we have not seen any isolated areas of extreme weakness, but rather a small deterioration in most categories across the portfolio. We have responded to this by tightening certain scorecard criteria, by employing additional proactive collection strategies, and by continuing to invest in systems and people.

We continually assess the performance of the portfolio through regular analysis of account characteristics and respond to those changes accordingly. For example, we recently made a change to restrict further extension of credit in two sub-classifications of customer accounts. This was so because the bad debt performance of those accounts were trending to make them potentially unprofitable.

We've continued to look for ways to improve our performance and have recently employed a leading independent credit specialty consultant to conduct a best practice research and review of our credit operations and make recommendations for improving it.

The report was very positive about the standards we achieved and the efficiency of our operations. In particular, the report cited the underlying strength of our credit policies, procedures, monitoring and control methods, as well as the standard and consistency of our execution.

An example of the robust nature of our risk management practices is found in our monthly rescoring of all accounts and making downward adjustments to credit lines where warranted based on the account behavior or recent credit bureau data.

Finally, the report noted that the bad debt variance we had experienced over the last 12 months was in line with other consumer credit portfolios and reflects the general credit environment rather than any specific weaknesses in our operations. We're in the process of evaluating the consultant's recommendations for further improvements.

Overall, the recent changes in the performance of the credit operations has had only a small adverse impact on the performance of the U.S. division as a whole. And this is because the basic characteristics of the portfolio help to minimize the level of risk. For example, there was a low average debt outstanding of approximately $1,000 per account.

As I mentioned, the portfolio churn is short at about seven months. Therefore the economic circumstances that most consumers do not change dramatically during the credit churn.

Lastly, our reserve criteria is stringent as we provide for 100% of any potential bad debt on accounts that are 90 days past due on a recency basis so the problems are quickly identified and there is no judgmental element in this level of provisioning.

This afternoon you will have the opportunity to see the people and the operations of our credit team.

Bill Montalto - *Signet Group Plc - COO, Sterling Jewelers*

Good morning, everyone. It's a pleasure to be speaking with you all today. As you've seen from the other presenters this morning, managing a retail business of this scale is a very complex operation. Therefore, it's a competitive advantage to have good systems to bring order, understanding and consistency of execution to everything that we do.

The process starts in store with systems that free the sales staff from administrative functions and provide them with the tools to give outstanding customer service and continues all the way through our buying, distribution and administrative functions. And we try very hard to make our size work to take advantage by investing in sector-leading systems and leveraging them through growth.

For example, we have the ability to invest in major projects tailored to our specific needs and the scale to negotiate sector-exclusive software usage rights. We believe we have the best systems in the jewelry industry, and we benchmark ourselves to the wider retail sector.

Now, what I'm going to do is I'm going to review a list of major projects we've recently completed or just in the process of completing, and then I'm going to cover in more detail three systems, the Sterling performance matrix, the repair function and the customer satisfaction index.

To support our growth, a new merchandise pick system is currently being installed downstairs, and you're going to see that when you do the walk-through of the distribution center. And as Mark mentioned earlier, we're improving the productivity of credit by installing a new predictive dialer system in the credit department.

E-commerce was enabled on a redesigned case site in 2006, and the site was further upgraded last year and then again this year, and then jared.com is going to be implemented really in a couple of weeks here.

An enhanced marketing campaign management system has been implemented this year, and we are increasingly using email promotions, electronic gift and promotional cards. We've also introduced screen-based pin pads into our stores, which also had the ability to capture signatures electronically.

Now, we're going to turn to the performance -- the Sterling performance matrix. Three years ago, we identified a third-party system that offered the possibility of improving what I call the three Cs, controlled communication or coordination between the stores and the head office.

And in 2006, we carried out a pilot to see if it delivered the returns that we were hoping for, and this system did it.

A major training exercise of field operations management was undertaken, and in turn, they trained the 1,400 people in our stores on how to use it, and we're also continuing to train the home office on how best to use this system and interact with the system. This is going to provide future benefits, and then we're looking for upgrades from the systems provider.

The system required broadband communications in all our stores, and this was something we wanted to do for a long time, but we needed the benefit, the return, to support this, and this system did that for us. As a result, we've enhanced the Jared selling system and improved data capture at store level.

The broadband facility creates the opportunity to cost-effectively develop in-store electronic order systems that offer an extended selection from that which is available in the store, and it offers additional customer service functions. Now, we currently have this deployed in Jared in select mall stores, and we intend enhancing this. Then, we're going to roll it out to the rest of the Kay stores next spring.

As Tryna said, a major project over the last two years has been our in-store repair function. This is unique among chain jewelers, and we regard it as a significant competitive advantage, but it was also an area that offered significant scope for improvement. Repairs account for about a third of the foot traffic in our stores, and they offer a very good opportunity for us to build a trust with the customer.

Today, we have identified a number of major systems initiatives and they include the development of repair standards by store, improving the take-in process of the repair across the counter, better execution and monitoring of the repair process, more accurate estimating of the completion date and when it's going to be returned back to the customer, shop floor control in the repair shop and then repair supply management. And we've only just begun to tackle this list, and we're already seeing improved execution and improved margins.

We're also the first in the sector to offer a six-month, written warranty for the repair work we do, and we give that to the customer. The importance of delivering an outstanding repair service is reflected in the feedback we get from the customer satisfaction index, and that's what I'd like to next -- to summarize next.

To gain feedback from customers, we introduced a customer satisfaction survey, which we tested through 2005 and implemented in all stores in 2006. Customers are invited by the sales associate to complete an online or a telephone survey, details for which are on the sales check.

Data points from over a half-a-million surveys are collected across 12 criteria, and those data points are then indexed across the store, the district, the region and then the two divisions, the mall division and the Jared division.

On a wider basis, the index is also used to identify future training needs. Overall scores form part of the monthly store standards that Tryna referred to and used to identify areas of strength and opportunity on a store-by-store basis. And importantly, it's helped us to improve our customer service standards in our stores last year, and we expect this to help us to maintain those standards and then build upon that.

Now moving on to marketing, Sterling derives significant competitive advantage from its leading brands and our ability to promote them. The "Every Kiss Begins with Kay," campaign strongly resonates with consumers, and Kay has the largest marketing budget in the sector to drive traffic. Kay has benefited from the message being consistently applied over time across all media and has raised aided awareness from the 60% range to the 90%.

Our He went to Jared campaign has nearly doubled the typical industry advertising support and has clearly established their strong national brand identity very quickly. Aided awareness for Jared has increased in the 40% to the 60% range.

In research by JCK, our jewelry industry trade publication, found it to be the best fourth-known -- the best -- the fourth best-known brand in the sector, even though it's competing against brands that have been out there a lot longer than Jared's been out there. We also have regional brands that are well established in their respective local markets.

This slide compares our advertising spend with that of our largest specialty competitor and a typical jeweler. And while in our accounting we give gross spend and Zale's figures are net of vendor contributions, adjusting our data to a net basis doesn't materially change the numbers. We spend a considerably higher percentage on our sales in terms of our advertising [8s] ratio, but yet we also achieve a much higher operating margin.

This commitment to marketing, along with our scale, means that we're able to use national television advertising, the most effective and efficient method to reach large numbers of consumers.

The efficiency of TV advertising can be seen by Kay's superior growth compared to that of the regional brands. All other aspects of the business are the same. The merchandise is the same, the training, the real estate criteria, and historically a similar marketing to sales ratio. The only difference is that Kay advertises on national TV, whereas the brands have used local radio.

And further evidence regarding the power of TV was gained through the -- when we accelerated in Jared's -- through the acceleration, rather, in Jared's sales that we saw when we introduced TV into Jared market by market.

But, not all TV is the same. National advertising has a number of advantages over local TV -- over local TV, including greater marketing leverage because every store benefits from each additional impression. It helps develop brand name recognition more quickly when entering new markets.

There's also more flexibility in the programs that are available on a national level, and it also gives the ability to integrate product and sponsor programs, as Kay did with Deal or No Deal and Jared with National Treasure on the USA network. So, we're going to take a look at that now.

(video playing)

Bill Montalto - *Signet Group Plc - COO, Sterling Jewelers*

As Mark explained earlier, Kay continues to grow in malls and increasingly in new formats. However, to gain maximum marketing leverage, there has to be uniformity of execution, and this includes the core merchandise range offered, pricing policies and standard guarantees and warranties. And the outcome of all of this is that we are continuing to increase our share of voice among middle-market jewelers.

Bill Montalto - *Signet Group Plc - COO, Sterling Jewelers*

Historically, increasing sales of Jared have supported an increase in the number of markets covered, but the number of impressions per market remain the same. Now with the transition to national advertising on both cable and network over the last two years, increases in TV will now give added leverage to all stores, and national coverage will start to build brand name awareness before we even enter new markets.

Another benefit of national advertising has been the ability to enter some major new markets such as L.A., New York, Philadelphia, Boston, whereas before we didn't have the critical mass to afford the local advertising that was necessary. Now, I think it's very important to note that this national broadcast capability is a significant change in the compete position of Jared.

As you saw earlier, as Mark mentioned, there are -- our marketing spend last year rose to 7.5% of sales, and this was above the planned level and as part of our cost realignment this year, we plan to spend at near the historic level. We'll concentrate on national advertising, as it's the most productive, and national advertising I referred to.

We also think the current environment -- it's important in the current environment that we increase our promotional cadence by using our scale to make opportunistic merchandise purchases, category promotions and by making greater use of e-communications and other promotional tools.

In concluding this presentation, I'd like to leave you with the following thoughts and the reoccurring themes that run through the business functions that I've just outlined and the presentations from my colleagues this morning.

First, our tried and tested team of talented, quality people who all have the same goal of making the business the best it can be in the jewelry industry, second, we believe we have category-leading systems that leverage the skills and the talents of those people and third, our deep belief that to build customer trust, you have to execute flawlessly and then finally, our strong -- our very strong culture of continuous improvement.

Bill Montalto - *Signet Group Plc - COO, Sterling Jewelers*

(inaudible) okay. I was having such a good time too. Okay, we're going to break for lunch. Thank you, very much.

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2008, Thomson Financial. All Rights Reserved.