FINAL TRANSCRIPT

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SIG - Signet Group at Piper Jaffray Consumer Conference

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CORPORATE PARTICIPANTS

Walker Boyd
Signet Group plc - Group Finance Director

PRESENTATION

Unidentified Participant

So it is my pleasure to introduce Signet today, the largest specialist jewelry business in the U.S. and the UK. Today I've got the Finance Director, Walker Boyd, and the head of Investor Relations with Tim Jackson here. And I will hand it over to Walker Boyd. Thank you.

Walker Boyd - *Signet Group plc - Group Finance Director*

Thank you. Just before I begin, I encourage you to read the risks and other factors and cautionary language in the annual report, which was filed with the SEC in May 2008. We also draw your attention to the next slide.

As Mike said, Signet is the world's largest specialty retail jeweler. We have been number one position in both the U.S. and UK, with leading brands in both markets. And we have sector-leading operating ratios and a strong balance sheet.

This has been built up over a number of years on sustainable competitive advantages and the basic retail disciplines in store operations, merchandising, marketing and property. These enable us to achieve superior growth in a consolidating sector, which reinforce our competitive strengths, and means we're better able to take advantage of the long-term growth in jewelry sales.

In the U.S., which accounts for about 75% of sales and operating profit, Kay is the number one brand by sales in the middle mass market. Jared is the leader in the upper middle market, and is an off-mall category killer concept.

In the UK, which accounts for about 25% of sales and operating profit, H.Samuel is the number one brand, and it is targeted at the middle market. Ernest Jones is number two, and focused on the upper middle market.

Last Friday we announced that we will be proposing to shareholders during this summer that our primary listing move to the NYSE. Our rationale is that U.S.-based investors are more familiar with our business and the retail marketplace in which it operates. They better understand the U.S. economic environment, and have a lower foreign exchange exposure.

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

Having consulted major shareholders, the Board believes that there is the necessary support to gain the 75% majority of voting shareholders required to approve such a proposal.

We now look in more -- in detail at the U.S. business, looking firstly at the background on the U.S. jewelry market. At $65 billion it includes about half of the world's diamond sales, and has shown consistent growth over the last 27 years, averaging almost 6% per annum growth. There have only been three down years in these 27 years, and each of these were followed by strong increases in subsequent periods.

Looking in more detail at the recent past, the jewelry sector, which is shown in yellow, has moved broadly in line with other major expenditure categories. The key drivers of sales are growth in discretionary expenditure, consumer confidence, and in

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particular the rate of change in employment. Signet's performance is shown in red, and we have used our competitive strengths to outperform and take market share.

The U.S. jewelry market is split roughly down the middle between the specialty and nonspecialty sectors. The major change over the last five years has been the growth of nontraditional sales channels, for example, TV shopping and the Internet. Internet sales includes general e-commerce retailers such as Amazon, Web-based specialty jewelers such as Blue Nile, and the Internet sales of firms such as Signet, who are primarily brick and mortar operators.

If we look more closely at the specialty sector, in 2005 Signet became the largest specialty jeweler in the U.S. However, the key point on this slide is the fragmented nature of the market, the comparably low share held by the two major operators, and the ongoing consolidation taking place.

Chains around 8 and below, that is predominately the independents, accounted for 80% of the specialty jewelry market in 1998, but this had declined to 75% in 2007.

This process of sector consolidation is similar to that which has occurred in other retail sectors, but it is much later and slower in the jewelry sector. However, the current trading environment is likely to accelerated the process with the closure of 500 plus stores having already been announced this year.

As well as gaining market share, Signet has set industry-leading performance standards across a range of parameters across the middle market jewelers over the last five years. The drivers of this outperformance are our sustainable competitive strengths. These are excellence in customer service with staff training, development and incentivization embedded in our culture and operations. As a result, we have at least one qualified diamontologist in every store, and all store managers have to be so qualified. This is unique amongst the middle market players.

Merchandising, where we have the most sophisticated supply chain and systems, with strong inventory management. We also have the best record for developing exclusive ranges in the middle market.

In marketing we have a well above average marketing to sales ratio, which combined with leading brands by sales, gives us significantly higher share of [voice]. We have two of the three brands that have the critical mass to advertise on national television, the most effective and efficient marketing channel for middle market jewelers. And lastly, we also have high-quality real estate, having applied very strict criteria consistently over time.

Characteristics of the business. About 45% of sales are in the year around bridal and anniversary category, with the other major driver in gift giving, particularly at Christmas, Valentine's and Mother's Day.

We target the middle market consumer with an average household income for our mall customer of about $67,000, and $92,000 for Jared. In fiscal 2008 the average price of an item sold in a mall store was about $330, and in Jared, $750.

We aim to maintain our sector-leading performance standards by further improving store productivity, and over the economic cycle to increase new space by between 8 and 10% per annum. New stores are evaluated on an individual basis using a 20% IRR over five years as an investment hurdle rate. This year space growth is expected to be between 4 and 5% as we have reduced our sales pro formas to reflect the current economic environment.

This chart shows the planned space growth by format. Remembering a Jared store is equivalent to just over four mall stores, over 90% of the plan net space growth in fiscal 2009 will come in this format. In the long run we have the potential to almost double our space in the U.S. by focusing on our existing concepts.

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Looking at Kay and Jared in turn. Kay has just under 900 stores last year, 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 multichannel marketing using the tagline, Every Kiss Begins with Kay. Net space growth in 2009 is expected to be about 4%, predominately off-mall.

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 the consumer one notch higher from our mall stores. Each store is just over four times the size of our typical mall store. And in space terms Jared is equivalent to other 600 mall stores.

With sales of over $750 million last year, it is by sales the fourth-largest specialty jewelry brand in the U.S. The concept remains immature, with only about 40% of stores having traded for five years or more. These stores have satisfied our investment criteria, and at maturity have a four wall contribution and a return on capital slightly above that of the mall stores.

We plan to open 17 Jared stores this year, and see the potential for about 300 in the long term.

Looking at the distribution of our space, some time ago we identified the need to better balance our real estate portfolio. And this year about 45% of our space is in off-mall locations compared with 25% five years ago. This is predominately Jared space, but Kay is also growing away from covered centers, and in fiscal 2009 all of our net space growth is expected to be off-mall. As a result, we are increasingly competing against independents rather than our traditional mall-based competitors.

Turning to the broader economic environment. Trading continues to be negatively affected by macroeconomic issues, compounded by record gold price, gold accounting for about 20% of our cost of goods sold. This is has significantly increased the pressure on inefficient operators, and we have already seen one major operator exit and others undergo major restructuring.

Our year-to-date U.S. comps are down by about 5%. Sales outlook for the balance of the year remains fairly challenging, but as always performance in Q4 will be particularly important in determining our results in fiscal '09.

Our response to the current environment is to manage the business tightly by strictly controlling inventory, realigning costs to reduce sales base wherever possible, maintaining our credit standards, and consistently applying astringent real estate criteria with sales models stressed to reflect changed market conditions.

We have also taken account of higher commodity costs by raising prices, with the object of at least maintaining the gross margin rate at last year's level. Early results have been encouraging, but we do not expect to fully evaluate the success of this initiative until sometime later this summer.

Longer-term, the demand outlook is positive, given the relationship between jewelry sales and the growth in disposable income, as well as a forecast increase in the number of weddings. The supply of diamonds is forecast to show little growth, and jewelry prices are likely to support it by this imbalance.

Sector rationalization will continue, with an ongoing decline in the number of specialty jewelry retailers, and further efficiencies in the supply chain. And we believe these trends will add to the value of our competitive strengths.

If I can turn now to the UK business. First, some background on the UK jewelry market. The total size of the UK market GBP4.5 billion, and per capita spend in jewelry is only about half of that in the U.S. The industry has grown again over the last 27 years at just over 5% per annum, and as in the U.S., with only three down years. Again, similar to U.S. dynamics, it remains very fragmented with over 7,000 specialty jewelers.

Signet has a 12% market share, and is twice the size of the number two specialty player, with stores represented across the country.

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Again, we have sector-leading operating metrics, which we aim to maintain by our scale advantages. Given our excellent geographic coverage, growth in the UK is about increasing store productivity and particularly by raising average transaction value. This is being achieved through leveraging our strong UK market position and drawing on the best practices of our U.S. business.

H.Samuel, as I mentioned, is the leading brand -- jewelry brand in the UK, and it's targeted at the middle market. It has a low average selling price, reflecting a diamond mix of only 22%, and a reducing, but still important, gift business.

The brand has been successfully repositioned in recent years to focus more on selling diamonds. And the most obvious change has been in the look of the store. This new design draws on our U.S. experiences, with a much more open customer oriented layout.

Ernest Jones is targeted at the upper end of the mass market, and sales watch brands such as Rolex, TAG Heuer and Omega. This luxury watch business, together with the diamond business, results in a higher average transaction value. And as with H.Samuel, the focus has been on improving the retail basics of service, merchandise and real estate.

This next photograph shows a new design which was successfully tested last year. This was targeted at the more fashion conscious consumer, reflecting a high watch participation, and a significantly increased visual differentiation, and improved space utilization. We have also expanded the watch displays and introduced stronger and clearer branding. The diamond sales area has also been enhanced.

At the end of last year about half of our UK stores were in this more open customer oriented format. Two-thirds of the H.Samuel stores trade in this format, with 25% of Ernest Jones. Over the next four years nearly all of the remaining stores will be converted.

As in the U.S., the environment is uncertain. But in a demanding marketplace, the UK division has had a good first quarter, with a 5.3% comp sales increase. Although as analysts are anticipating, given the increasing pressure on consumer expenditure in the UK, and our demanding second quarter comparatives, growth is not expected to continue at this level.

We are therefore tightly controlling costs and margins, increasing prices to reflect commodity costs, using promotional activity to drive footfall, and remain focused on return on capital employed.

In overall summary, Signet is the specialty jewelry sector leader in terms of both scale and operating metrics in both the U.S. and the UK. Jewelry sales have demonstrated long-term growth and are forecast to do so in the future.

However, we recognize that the specialty retail is a cyclical business, and it is appropriate therefore to adjust our execution to take account of the economic environment. We will continue with our disciplined investment in the business, maintain a strong balance sheet, so as to be well-positioned for when the sector recovers. By continuing to implement our proven growth strategy on building competitive advantages, we aim to increase shareholder value over the longer term.

I would be very happy to take any questions you may have.

QUESTIONS AND ANSWERS

Unidentified Audience Member

(Inaudible question - microphone inaccessible). Just curious. I have seen your commercials on television, and we know how expensive it is with Jared. But I have asked my wife (inaudible) I've never seen Jared stores (inaudible). So I don't understand what is the point in advertising (inaudible)?

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Walker Boyd - *Signet Group plc - Group Finance Director*

Last Christmas was the first year, the first holiday season where we actually crossed the crossover point between where it is cheaper to advertise in those markets where we have stores, and the efficiencies you get from national network.

As far as the Tri-State area is concerned, we have been -- it was one of the more recent markets we have entered. We now have two stores in Jersey. I think the benefit of national television, or moving to national television, is something you get over the years. Because over the last several years as we have been advertising Jared on local TV, the benefit of opening new stores does not result in more TV impressions because you're just spending in individual markets.

The transition to national network in the year you change doesn't bring us that benefit. But as we opened, for example, another 17 stores this year, including another two in the Tri-State area, then that will begin to build and allow us to have higher national network impressions.

If one looks at the model of what we did with Kay over the last five years, this has been a significant advantage in terms of building Kay's name recognitions. So we expect that we're just right at that crossover point between the critical mass to justify national network against the local markets.

The Tri-State area, unfortunately, is probably worst example, where we have only just entered it, but we do have major concentrations. We have I think nine stores now in the Chicago area. We have five in Atlanta, the same number in Houston, Dallas, etc. So because of availability of real estate we have been later into the Tri-State area than most other major markets in the U.S.

Unidentified Audience Member

(Inaudible question - microphone inaccessible).

Walker Boyd - *Signet Group plc - Group Finance Director*

As I said in my discussion, I think the conclusions in terms of the impact is it is too early to draw conclusions. The price increases that we put through were done in three phases during the course of the first quarter, starting immediately after Valentine's Day, and then ending at the last week in March. So in the first quarter we only had four weeks of trading post the new price increases.

As far as the scope of the increases were concerned, it was a fairly comprehensive realignment. Clearly gold, which has been the predominant driver of the rationale behind the price increase, affects our products in differing components. Within the diamond category, clearly the impact of gold on a $500, 50 point bracelet, is much more significant than say the gold content of a pair of 3 caret stud earrings. The nature of the price increase or the level of price increase is clearly largely dependent on the content of gold. It didn't apply to all SKUs, but certainly a significant majority.

As far as the competition is concerned, clearly that was one of the issues we faced when we made the decision to implement the price increases, which we took in the fourth quarter of last year. What we have seen since we put in our price increases is that all of our competitors have to some degree or another followed us. And it would be fair to say that none of them have made as comprehensive a realignment of prices as we have.

But as we said in our Q1 announcement last Friday and earlier when I was talking, so far we see the results of the price increase as encouraging. A., because the adverse impact on volumes, which we model out based on previous experiences has probably

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been a little bit less than we might have expected. And secondly, we are encouraged that most of our competitors are following us to one degree or another.

Unidentified Audience Member

(Inaudible question - microphone inaccessible).

Walker Boyd - *Signet Group plc - Group Finance Director*

Well H.Samuel participation over the last five years has grown by about 150 basis points a year, which in mix changes is quite significant. To be frank, we haven't planned out how high is high. But we certainly see at the minute is that there doesn't seem to be a slackening in the pace of the growth of diamond participation at H.Samuel.

I think we have proven to ourselves, particularly with the more open customer friendly stores, that we can sell it to the same customer as we previously did a higher proportion of fine jewelry. So we remain very encouraged in H.Samuel.

The pace of growth in Ernest Jones, in terms of participation, has been somewhat slower. You see in the slide it still represents about one-third of our participation. In terms of absolute pound sterling growth in sales, it probably has been about the same as H.Samuel, but the participation has stayed basically flat because of the very strong watch performance of these five major agencies we have, which would be the TAG Heuer, the Rolex and Omega is the three major agencies.

So I think in terms of diamond participation, we don't believe we are anywhere near the end of the long-term growth. But clearly the pace of growth to some extent is going to be dependent on the economic cycle.

Unidentified Audience Member

(Inaudible question - microphone inaccessible).

Walker Boyd - *Signet Group plc - Group Finance Director*

I think one of our competitors' strengths certainly is within the middle market jewelers. I'm talking now about the U.S., because the UK is a smaller proportion. But for a number of years the sourcing of our diamond merchandise, remembering diamond represent 75% of total U.S. sales, about half of that is sourced by buying cut unpolished loose on the market. So rather than buying jewelry complete, we buy cut unpolished loose, and have the jewelry set on a subcontract basis by the manufacturer.

What we have been testing over the last couple of years, and we're now moving this year into the rollout phase, is moving one step further up the supply chain, closer to the source, by buying rough and, again having the stones -- rough stones cut under subcontract by a partner in India.

The very fact we have moved after two years of testing this into a rollout stage says we're satisfied with the process. The benefits we see of this are twofold. One, clearly as we move closer to the source then we are able to eliminate some of the markups that exist in the diamond supply chain between the mines and the manufacturers.

And secondly, given that we see over the long-term the demand for diamonds increasing more rapidly than supply, then we believe being closer to the source gives us greater opportunities for consistency and continuity in supply.

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Now our 50% loose diamond purchasing is unique amongst the middle market competitors. Clearly people like Tiffany have very similar supply chain efficiencies. And this further step towards the source, towards the mines we see as only adding to our competitive strength.

I think the impact on gross margin is likely to be -- we are going to -- one is going to measure it in tens of basis points rather than percentage points. But I would not underestimate the value of ensuring consistency and continuity of supply over the long term as demand grows greater than supply.

Unidentified Audience Member

(Inaudible question - microphone inaccessible).

Walker Boyd - *Signet Group plc - Group Finance Director*

We don't put platinum, because to be frank, as we saw in the slide there that in the U.S. if is gold is 20% of our cost of goods sold, and diamonds are 50%, by the time you add in watches, colored stones, the cost of labor and whatever else, platinum is a very small percentage of our cost of goods sold.

Diamonds, one can hedge because you cannot buy a caret and forward hedge a caret diamond, because what is the size, what is the color, etc.? With gold we do take hedging positions. We would not normally, and indeed we haven't gone more than one year forward. But we would take various hedging positions, which would increase as we approach the key selling season.

In times of rising gold cost, where we are seeing consistent increases over the last two to three years, that gives us a timing benefit in terms of avoiding some of the cost increases, and give us more time to implement the pricing price increases.

Hedging doesn't give you a permanent benefit. So our hedging policy, which I believe is a deeper policy than most of our competitors would follow, has, yes, given us some advantages as we face the recent gold cost. But one has always to say it is a timing benefit in periods of a fairly consistent rise.

Any other questions? Thank you very much.

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