

FINAL TRANSCRIPT

Thomson StreetEventsSM

SIG - Q3 2007 Signet Group Earnings Conference Call

Event Date/Time: Nov. 27. 2007 / 9:00AM ET

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

CORPORATE PARTICIPANTS

Terry Burman

Signet Group plc. - Group Chief Executive

Walker Boyd

Signet Group plc - Group Finance Director

CONFERENCE CALL PARTICIPANTS

Dehark Shahrieri

Dasso - Analyst

James Pan

Seagate Partners - Analyst

Katherine Wynne

Merrill Lynch - Analyst

Patrick Forkin

Tejas Securities - Analyst

Loveday Morris

Bloomberg - Journalist

Fraser Ramzan

Lehman Brothers - Analyst

Ben Spruntulis

Citigroup - Analyst

John Baillie

Societe Generale - Analyst

Naomie Schapira

JPMorgan - Analyst

David Lynch

Investec - Analyst

Simon Webber

Schroder - Analyst

Mark Sherlock

Hermes - Analyst

Tony Shiret

Credit Suisse - Analyst

Luca Tobagi

Eurizon Capital - Analyst

Tim Rankin

Blue Harbour Group - Analyst

PRESENTATION

Operator

Good day and welcome to the Signet Group Q3 conference call. Today's conference is being recorded. At this time I would like to turn the conference over to Terry Burman. Please go ahead, sir.

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

Terry Burman - Signet Group plc. - Group Chief Executive

Welcome to the conference call on Signet's third-quarter results. I am Terry Burman, Group Chief Executive, and with me is Walker Boyd, our Group Finance Director. Walker will discuss the financials and then I will cover the US and UK operations. We will then open the call to questions. Walker.

Walker Boyd - Signet Group plc - Group Finance Director

During today's call we will in places discuss Signet's 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 20f filed with the SEC on May 4, 2007 and which can be found on the Group website, www.signetgroupplc.com.

Looking firstly at the quarter, Group total sales rose by 10% to \$679.9 million, an increase of 7.9% at constant exchange rates. Like-for-like sales were up 3.2%. Group operating profit was \$7.5 million against \$13.4 million last year, primarily reflecting a more challenging retail marketplace in the US. Net financing costs of \$5 million were a little below last year reflecting an improvement in net impact of pension related items.

The third quarter is a period of seasonally low profitability representing about 3% of annual profit. This year profit before tax was \$2.5 million, down from \$8 million last year.

Turning to the figures for the nine months, group total sales were up 7% at constant exchange rates; 9.4% as reported; and by 3.2% on a like-for-like basis. The average exchange rate for the year to date was \$2 to the pound against \$1.83 for the same period last year. Group operating profit for the nine months was \$124.4 million, against \$125.7 million in the comparable period last year, with an operating margin of 5.5% against 6% last year.

Net finance costs were \$12.9 million, up \$800,000 in the comparable period last year. As a result, Group pre-tax profits were \$111.5 million against \$113.6 million last year. The year-to-date tax rate of 36.5% reflects the anticipated level for the full year. For the nine months, basic earnings per share were \$0.042, the same for the comparable period last year.

Looking at the balance sheet, net debt at the end of the quarter was just under \$525 million against just under \$462 million a year ago. The seasonal increase in net debt for the year-to-date \$290.1 million was largely in line with the corresponding period last year with increases in store investment and higher dividend payments largely offset by lower tax and share purchase costs.

Group capital expenditure for the year is planned to be about \$150 million, above last year's level of \$124 million, reflecting an increase in Kay off-mall openings, a higher level of refurbishment, and increased IT spending.

I will now hand you back to Terry.

Terry Burman - Signet Group plc. - Group Chief Executive

Thanks, Walker. Now I will review the group's operations beginning with the US. In an increasingly challenging retail environment, total sales for the quarter increased by 10.1% to \$408.2 million. Like-for-like sales were up by 5%, August and September being stronger than October. Overall there was a further gain in market share.

US third-quarter operating profit was \$11.5 million against \$19.1 million last year. As expected, gross margin for the 13 weeks was down by a little more than in the first half. New space, while marginally profitable for the full year, is negative in the third quarter and given the low profits in the quarter, the impact of the increase in space growth was noticeable.

Nov. 27, 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

In the year-to-date US like-for-likes were up by 2.7% and total sales by 8.3%. The average transaction value continued to rise and is up by about 4.5% in both Jared and the mall brands in the year-to-date. US operating profit for the nine months was \$137.8 million, a little lower than last year's level of \$144.2 million. Operating margin for the nine months was 8.1%, down 110 basis points on last year, reflecting the adverse movement in gross margin and the impact of new space.

The bad debt charge for the nine months was 3.3% of total US sales, against 2.9% in the comparable period and remains comfortably within the range of the last ten years.

Our real estate investment in 110 new stores and 65 refurbishments and relocations is substantially completed. The number of closures is planned to be 15. As a result of this investment, we anticipate an additional 29 mall stores, 42 off-mall locations, and five outlet center sites. 19 more Jared's are expected, bringing the total to 154, equivalent to about 600 mall stores in space terms.

Training continues to be at record levels and in-store execution has been improved. TV impressions for cable again increased this holiday season, reinforcing its industry-leading position. The new creative work continues to be highly successful -- continues the highly successful "Every Kiss begins with Kay" theme and performed well in our consumer research. The TV campaign will continue to be supported by national radio, press, and direct-mail advertising.

For the first time, Jared will use both national network and cable television advertising. There will also be support from radio advertising. Advertising support for the regional brands will be similar to last year.

A number of merchandising initiatives are in place for the holiday season. These include further development of the right-hand ring and journey ranges, which the Diamond Trading Company continues to support with substantial advertising, expansion of the solitaire and Leo ranges, and the introduction of new designs from Le Vian.

Over the past several years, there have been substantial increases in diamond, gold, and platinum costs impacting the entire U.S. jewelry sector. These have not been fully passed onto consumers. The recent sharp rise in gold means our gross margin in fiscal 2008 will be at the low end of expectations as we do not hedge 100% of our expected requirements and the move came after pricing for Christmas had been set. This cumulative effect of higher commodity costs does mean that Signet anticipates realigning prices in 2008 and we would expect this to start following Valentine's Day.

Any such realignment will likely cover the broad merchandise range including basic product, which have seen little movement in price for several years despite the major changes in raw material costs. Signet's pricing strategy is to be competitive over the long term; however, these expected changes could result in a departure from this position in the short term.

While this Christmas will be challenging, more demanding trading conditions places an even greater premium on the quality of execution and getting the basic retail disciplines right. We therefore believe that our high operational standards are particularly important at this time and our ability to remain on strategy reinforces our established competitive advantages.

Turning now to the UK, in a trading environment that remains uncertain, our UK division continued to achieve good like-for-like sales growth of 4.8% in the quarter, with Ernest Jones performing particularly well. Total sales increased by 2.6% at constant exchange rates to \$190.5 million, the reported increase being 9.9%.

The seasonal operating loss was eliminated with an operating profit of \$200,000 against a \$2 million loss in the comparable period last year. For the year-to-date, UK like-for-like sales increased by 4.7% and total sales by 3.3% at constant exchange rates to \$575.4 million. The seasonal operating loss was largely eliminated at \$400,000 compared to \$8.2 million last year.

The strength of the watch category and better targeted promotional activity resulted in a lower gross margin broadly similar to the decrease seen in the first half. The trend in the fourth quarter is anticipated to be similar with the increase in gold in 2006

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

continuing to be largely mitigated by the dollar weakness. However the more recent gold price movement means we would anticipate some retail price increases next year.

The division's average selling price increased further in the thirty nine-week period and Diamond participation was up a little. The average Diamond transaction was also slightly up. In H.Samuel, 16 stores have been refitted this year with a net reduction of 25 stores expected by the year end. In Ernest Jones, 11 refits or relocations have taken place and store numbers will be similar to last year. The seven Ernest Jones stores with the enhanced design have had a very positive initial feedback from customers.

With respect to merchandising, there has been a further increase in the number of exclusive lines, and the Diamond selection has been further enhanced. New television advertisements for both H.Samuel and Ernest Jones have produced encouraging test results and some of you may have seen them. After a successful test earlier in the year, the roll out of the third-party financed branded store card has proceeded as planned.

So in conclusion, as ever, the results for the year will depend on the very important Christmas trading season, 75% of which is still ahead of us. However in the US, sales have weakened further since the end of the third quarter and so far in November like-for-like sales are down around 7%.

In the UK there has been a weakening as the month has progressed. Given the backdrop of trading in November and increased economic uncertainty on both sides of the Atlantic, we believe current analyst's expectations are unlikely to be met and that a wider than normal range of profit before tax estimates would be appropriate.

So, operator, I would now like to open the call to take any questions.

QUESTIONS AND ANSWERS

Operator

Dehark Shahrieri, Dasso.

Dehark Shahrieri - Dasso - Analyst

A question on the like-for-like drop since early November. Do you have any segregation of that in terms of different store brands?

Terry Burman - Signet Group plc. - Group Chief Executive

We don't disclose like-for-likes on a store brand by brand basis.

Dehark Shahrieri - Dasso - Analyst

I see. Okay, thank you.

Operator

James Pan, Seagate Partners.

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

James Pan - Seagate Partners - Analyst

A couple questions. I noticed that your receivables year-over-year was up significantly higher than your sales. Can you explain what is causing that factor? Is it a different underwriting standard? Is it a different type of receivable? And then I have a follow-up question.

Walker Boyd - Signet Group plc - Group Finance Director

Yes, dealing with your first question, the lending standards have remained unaltered. We have had a consistent lending standard over the last several years. What has happened during the current year, as we have indicated, is that a number of metrics points to a tighter consumer and one of these is that our monthly collection rate has declined to some degree. No fundamental change, but certainly a slower collection rate.

That is largely a reflection that the average payment, which normally exceeds the minimum payment by a significant margin, whilst that continues to be so, that margin has narrowed in the last nine months. So our level of our overall receivables in terms of total dollars has therefore increased more than in proportion to total sales.

We do not see that necessarily as a major driver of the higher bad debt charges, but certainly a reflection that people paying less than as a basic monthly repayment less than they have in previous years.

James Pan - Seagate Partners - Analyst

Can you quantify the change in pace, if it was -- a typical payback was I think nine months before the slowdown. What is it now?

Walker Boyd - Signet Group plc - Group Finance Director

Well I think (multiple speakers)

James Pan - Seagate Partners - Analyst

What was it before the slowdown and what is it now?

Walker Boyd - Signet Group plc - Group Finance Director

Well I think the average if you look on an annual basis monthly collection rates have been in the 14% to 15%, which is the average period to pay back would be somewhere around about seven months. And the changes of the reduction in an average monthly payment is a movement in tens of basis points rather than percentage points. So that period will have increased probably from about seven months somewhere into somewhere under eight months, so it is a change of that sort of order of magnitude.

James Pan - Seagate Partners - Analyst

Last question. How high did it get in terms of pay back? Did it get up to 9 or 10?

Walker Boyd - Signet Group plc - Group Finance Director

Sorry, say that again.

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

James Pan - *Seagate Partners - Analyst*

Every time you answer it, I have another question, because --

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

No I didn't quite catch your follow-up there.

James Pan - *Seagate Partners - Analyst*

During the last slowdown, during the slowdown how much did -- where did the last peak, where was the last peak in terms of paydown?

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

I think if you look over the last ten years and clearly that includes the slowdown of 2001, then our monthly collection period has stayed very much within that 14% to 15% bracket. And as I said, we are still within that range, although less than last year. Clearly if you go back to the '90s before debt -- our credit portfolio was entirely centralized, you would have seen a higher period, but I think that comparison with them is somewhat difficult. So if we restrict it to over the last ten years, we're still within that range of between 14% and 15%.

James Pan - *Seagate Partners - Analyst*

Okay, last question. Under what scenario would your company actually start being concerned about your balance sheet and your debt level? (multiple speakers) In terms of negative source [outs -- spread outs]?

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

Clearly I think if you look at the strength of our balance sheet and particularly against our banking covenants, which are documented in our annual report and accounts, but basically call for fixed charge cover of 1.4 times and net debt to EBITDA of a maximum of 3 times in terms of the two key covenants, I think even if you look at analyst forecasts today, are based on these forecasts. I think our covenants are going to -- we would remain well within these.

Our fixed charge cover last year was about 2 times and net debt to EBITDA was somewhere around about 0.6 as opposed to the covenant of 3. So against -- in the context of that sort of leeway against these covenants, then clearly we still have a very strong balance sheet, and that is something we have always said was paramount, that if we did go into a slowdown, it is very important that you go into that with a strong balance sheet which allows you to remain on strategy. Clearly you will vary strategy depending on the economic conditions, but we would not be forced to change fundamentally because of an issue in our balance sheet. I think that very much remains the case today.

James Pan - *Seagate Partners - Analyst*

Okay, thanks a lot.

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

Operator

Katherine Wynne, Merrill Lynch.

Katherine Wynne - Merrill Lynch - Analyst

I just wanted to clarify two things. Firstly, the indication you have given in terms of the gross margin for the fourth quarter, I think you said in the statement that the third quarter was slightly -- down slightly more than it was in the first half. Can you actually quantify that? Then whether you expect the fourth quarter gross margin to be slightly down, slightly greater decline than we saw in the third quarter? And then I've got a question on space growth.

Walker Boyd - Signet Group plc - Group Finance Director

I will deal with the gross margin question first. I don't want to put particular percentage points on the gross margin, but I think we had said previously that would expect our third quarter in the US, our third quarter gross margin to be down a little bit more than we saw in the first half. Basically as a result of the continuing increase in commodity costs and in particular the rise in gold, which has taken place since the summer. That clearly will have an increasing effect on our selling margin as it works through into the stock valuation.

Therefore in terms of Q4, the answer would be yes, we would expect some further slippage in terms of the adverse impact of commodity costs as well as the imposition of duty on imports from India, which was implemented I think at the end of July. So both of these factors moving against us in terms of as we have moved through the third quarter and clearly with the proportion of sales in the fourth quarter, which means the acceleration of the impact of the increase in commodity costs, then it has a bigger impact as we go into Q4.

Therefore nothing has happened in the last three to four weeks since the sales announcement that has made us alter that sort of analysis.

Katherine Wynne - Merrill Lynch - Analyst

Thank you for that. Then on the space growth, I think in the context of the UK, you obviously were giving an indication of the store closure program. What does that mean we should be looking at in terms of space contribution in the UK in the fourth quarter? And I would also like to know what we should be looking at for the US as well please.

Walker Boyd - Signet Group plc - Group Finance Director

I think in terms of the impact on total sales as far as the UK is concerned, then it is going to be fairly small because although we have, as Terry said, somewhere around about 24 H.Samuels closing by the end of the year, a number of them will close post Christmas because the deals we've done on the property have been agreed on the basis that we trade through Christmas. And remember they are all exclusively in the lower end of our range, so they are not average H.Samuel stores. They are below average.

So the net impact in the current year and indeed the fourth quarter on new space for the UK sales is going to be somewhere in the region of 1% to 2% and the impact on operating profit is not basically not visible because these are all basically marginally profitable stores. The impact for next year in terms of space on UK sales will be a bit more because we will have the full year impact of that. So you're probably going to talking in the 2% to 3% in terms of total sales, but again from an overall level of profitability, not really a noticeable impact.

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

Katherine Wynne - Merrill Lynch - Analyst

Thank you. And space growth in the US, Q4 and also for next year?

Walker Boyd - Signet Group plc - Group Finance Director

We've said that we expect to be at towards the top end of our 8% to 10% space growth in terms of the US, on the basis that stores open around about 60% of maturity in terms of their first full year and then we would look for noncomp sales increases in the US of around about 6% per annum.

As far as next year is concerned, clearly at this stage we have not finalized our plans, but I think we remain with the view that our space increase is likely to be again in that target range of 8% to 10%. Clearly we need to take a view on that once we get into the -- past the Christmas trading period.

Katherine Wynne - Merrill Lynch - Analyst

Thank you.

Operator

Patrick Forkin, Tejas Securities.

Patrick Forkin - Tejas Securities - Analyst

I know you mentioned that your credit scoring really hasn't changed over the last couple of years, but have you seen any deterioration in the credit acceptance rates over the last several months here?

Terry Burman - Signet Group plc. - Group Chief Executive

Yes, in the last two to three months we have seen some lower approval rates and that has just shown up, as I said, in the last two to three months.

Patrick Forkin - Tejas Securities - Analyst

Okay and then your credit promotions for the holiday selling season, in the US Kay stores, any changes from what you did last year?

Terry Burman - Signet Group plc. - Group Chief Executive

No, actually we don't have any -- there are no special credit promotions. We found them to be -- we have tested these things in the past including longer payment terms and various other programs that are out there and we have found them to be meaningless in terms of generating any sales increase. So customers do not -- customers come into the mall shopping for jewelry. Or customers go to our Jared stores because they are shopping for jewelry. They don't shop for credit.

Credit is a customer service that we provide that enables the customer to choose among payment plans to make a jewelry purchase, but they are making the decision on that jewelry purchase based on quality of the merchandise, the fashionability of the merchandise, the value on the merchandise, and the customer service that is delivered by the store staff.

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

Therefore it is not surprising to us that in all the tests that we've run, and we have run them many, many, many times with control groups within the same markets, against different markets, don't move our total sales line. What they do is they wind up transferring sales between different kinds of credit or different kinds of payment vehicles. So after years of testing these things, we find that if we offer a range of credit programs that enable the customer to make their purchase that they are happy to choose among our various credit programs and we have got sufficient offering.

Patrick Forkin - *Tejas Securities - Analyst*

Okay, that is very helpful. Thank you.

Loveday Morris, Bloomberg.

Loveday Morris - *Bloomberg - Journalist*

You've guided that you are going to be slightly below analyst's estimates. Can you quantify that at all? How much below?

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

No. I think the purpose as we say in the statement, that if one looks at the particularly the US trend in November, one has to recognize that that cannot be ignored in looking at the likely outcome for the year. Against that we still have 75% of our November/December trading to go. So as we say in the statement, given that these two data points and the general increase in economic uncertainty, there is a wide range of outcomes remain possible for the year. I think it will be for analysts to make their mind up as to the likely direction of the consumer generally over the balance of the Christmas trading statement.

Loveday Morris - *Bloomberg - Journalist*

But you can't quantify at all how wide either way you think that might be?

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

No, as I say, I think it is for analysts to make their mind up based on the facts that we have given them and their assessment of the economic conditions as to what they believe the general direction of the UK -- the US consumer particularly is going to take.

Loveday Morris - *Bloomberg - Journalist*

Also you said US sales down 7%, around 7% in November. Do you have any I guess for the UK? You said it was weakened but --.

Terry Burman - *Signet Group plc. - Group Chief Executive*

What we commented in the UK is that it had weakened. We did not give a specific figure because it is more difficult to read and it is more difficult to read in the UK. That is because the weakness, if you will, that has shown up has just shown up in the last few weeks. In addition to that, we have changed the promotional calendar so we gave a directional comment about sales in the UK, whereas in the US, the trend, if you want to call this a trend, has been in place for a little longer. That is why we gave the specific number there.

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

Loveday Morris - *Bloomberg - Journalist*

How have you changed the promotional calendar in the UK?

Terry Burman - *Signet Group plc. - Group Chief Executive*

We changed a large distribution of catalogs from the second weekend to the third weekend.

Loveday Morris - *Bloomberg - Journalist*

Right, okay. Thank you.

Operator

Fraser Ramzan, Lehman Brothers.

Fraser Ramzan - *Lehman Brothers - Analyst*

Just a couple of questions. First of all on the U.S. business, you have obviously got quite a lot of clarity now on your space growth for the year. Could you quantify what cost growth might be on the back of that space growth because presumably that is something that is slightly more certain for the fourth quarter -- for the fourth quarter that is.

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

It's Walker here. I don't think anything has changed in terms of our anticipated expense growth, whether it be in the underlying business in terms of the non-volume related. Clearly there will be some changes in terms of turnover [rates] and commission payments, or in the underlying space growth. So I think where we've spoken in the past about total expense increase in the US somewhere in that high single digit number, (multiple speakers) keeping underlying business and new space together.

To be frank, there has not really been any change in that over the last quarter or so, so we would still be in that high single digits as an expectation for overall expense growth.

Fraser Ramzan - *Lehman Brothers - Analyst*

Okay and then just a sort of small one on the November slowdown you've seen in the US, is it geographically very broad-based or do you find it concentrated in markets where there is perhaps greater stability in areas such as housing for example?

Terry Burman - *Signet Group plc. - Group Chief Executive*

It is broad-based.

Fraser Ramzan - *Lehman Brothers - Analyst*

Right. Okay. Just to finally clarify that, of course does include Black Friday sales and the weekend here?

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

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

Yes, we're going -- the comment about the 7% is basically on our sales since the beginning of the fourth quarter through Sunday evening.

Fraser Ramzan - *Lehman Brothers - Analyst*

Great. Okay, thank you very much.

Operator

Ben Spruntulis, Citigroup.

Ben Spruntulis - *Citigroup - Analyst*

Good afternoon. Just building on Fraser's question, can you just talk us through a little bit more detail the fixed and variable cost base in the US, particularly focusing on this like-for-like decline in November, how much could be offset by variable costs or control of fixed costs? Then perhaps looking out to 2009, the same question.

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

Yes, I think clearly in terms of the balance of this year, it is very much about those expenses that vary primarily with sales volume. And I think we've spoken in the past that directionally our operational gearing over that short period of time is somewhere in the 40% bracket. So that is basically taking gross margin less those expenses which change basically with volume. The two key ones there clearly are the fairly extensive turnover rate we have in the mall stores and also the incentive based payments in our store staff.

On top of that, clearly then there are additional variables in terms of bank charge acquiring costs, the boxes, etc. for jewelry but broadly that 40% is a reasonable rule of thumb in terms of operational gearing is a reasonable one to use.

Clearly then as you look out into 2009, we need to see exactly where the consumer goes over the next few weeks. There is then more opportunity to look at what we would call more fixed expenses. We would however see even at this stage that those key areas of competitive strength which in the past we've said is the quality of our staff and the ability to national advertise, I think given the strength of our balance sheet, it is unlikely that we're going to do things that would be detrimental to the long-term build of our business.

Clearly if the consumer is more circumspect, we are going to run the business more tightly and we will look at efficiencies in these areas. As we will in terms of our head office infrastructure. But again, it would be I think wrong of us to go for short-term expediency at the detriment of the long-term development of the business.

Ben Spruntulis - *Citigroup - Analyst*

Thank you.

Operator

John Baillie, Societe Generale.

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

John Baillie - Societe Generale - Analyst

Just going -- could you talk a little bit more about this price realignment in 2008 in terms of quantifying (inaudible) its position that you're going to have a -- plan sort of stable gross margin in the US against the price realignment? Are you sort of flagging it in the hope that competitors will shift up in line to -- so it is not a case of becoming uncompetitive?

Terry Burman - Signet Group plc. - Group Chief Executive

No, John, we're flagging it because it is a change from our pricing strategy that needs to be disclosed because you and other analysts like you are all making projections for -- on our business for next year. Therefore we needed to flag this so that you could be -- so that we could set -- so that you could set accurate market expectations and have full information of what we're doing.

In terms of the magnitude of this, we are still working through some of that and it is different on different types of products. So in pricing architecture of the pricing of items in relationship to each other, in relationship to some fashion items, basic (technical difficulty) items that we have got to get right, so we're working on the specifics. I cannot give you an overall percentage increase on just how much it is going to be.

But the recent spike in gold prices in addition, we see some increase in diamond prices and we would anticipate there would be more next year as the price of rough -- the increased price of rough really has not been translated into polished prices -- really means that especially on these basic products that we have where we have not raised prices for several years; however, our commodity costs have been increased meaningfully -- something's got to give. So we're just announcing so that the market can set their expectations properly that we will be realigning our prices.

John Baillie - Societe Generale - Analyst

Can I get a broad range of between sort of the categories what sort of move we should be thinking of?

Terry Burman - Signet Group plc. - Group Chief Executive

We're not prepared at this time to start quantifying those increases (multiple speakers)

John Baillie - Societe Generale - Analyst

Should we then expect -- is it based around getting back to a broadly stable gross margin in the US except for the adverse impact of a Jared rollout?

Terry Burman - Signet Group plc. - Group Chief Executive

Well, we need to offset these commodity price increases that have been -- that have worked their way into our cost base, so just where and how much we set those at, as I told you, has not been finalized at this point.

John Baillie - Societe Generale - Analyst

To another question just on the inventory level, which is up about 11%, you've got a situation where the like-for-like is down 7, inventory up 11. At what point do you feel any pressure to respond to that and maybe become more promotional this season? Or are you absolutely determined not to change your position on that?

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

Terry Burman - *Signet Group plc. - Group Chief Executive*

We've been through slowdowns during Christmas before in the jewelry and running around and changing you promotional calendar at the last minute I have found is not profit productive. Moreover especially because we have got a -- especially because we have got a good promotional calendar out there anyway and we have also got a category that is reasonably inelastic.

In terms of our inventory levels, I don't think you related to the minus 7 which has been gone on for about three weeks now. However we do have a practice of keeping our inventory aligned with our sales. Most of the 11% increase is for new space and since we set our inventory levels in a new store for third-year sales, you normally see in any new space that we open a slightly greater lift in inventory than comes through in the sales line in the first or the second year. So it is a normal position for us to -- the increases are not abnormal whatsoever.

John Baillie - *Societe Generale - Analyst*

Okay, thank you very much.

Operator

Naomie Schapira, JPMorgan.

Naomie Schapira - *JPMorgan - Analyst*

I just wanted to ask you about the trading update on the UK. Could you tell us if the like-for-likes remain in positive territory?

Terry Burman - *Signet Group plc. - Group Chief Executive*

As I said earlier, we're not putting a number on it. We're just giving a directional comment. That is because of the change has only been -- the weakness that we've seen has only been recent and also there's been a change in the promotional calendar, which confuses our ability to really get a solid number on us. So we're just not commenting any further than our comment in the statement.

Naomie Schapira - *JPMorgan - Analyst*

Okay, thank you.

Operator

David Lynch, Investec.

David Lynch - *Investec - Analyst*

Could you tell what percentage of current applications you are currently rejecting and whether those figures have changed recently?

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

Terry Burman - *Signet Group plc. - Group Chief Executive*

In the last two to three months -- first of all, we don't give specific numbers on that, but directionally in the last two to three months we have seen a slightly higher decline rate on new applicants.

David Lynch - *Investec - Analyst*

Okay, could you tell me how big the customers here we will book currently is?

Terry Burman - *Signet Group plc. - Group Chief Executive*

It is about \$700 million right now. It goes up seasonally after Christmas but you can see it on the balance sheet.

David Lynch - *Investec - Analyst*

Okay, and you just launched a securitization on that, have you, of \$200 million? Has that been drawn on and does that show up yet in the net debt figure?

Terry Burman - *Signet Group plc. - Group Chief Executive*

No, the \$200 million is a facility and it is part of our long-term plans in terms of just building up what we think is proportionate or appropriate to the business going forward. So we have not yet drawn down on it and really it is more part of long-term planning in terms of the appropriate level of facility rather than the requirement for the [current] year.

David Lynch - *Investec - Analyst*

Okay, so presumably it could be [extended] and correlated to a higher figure if need be so if something interesting for instance came up, that you might want to buy?

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

Sorry, I didn't quite catch your last sentence here.

David Lynch - *Investec - Analyst*

Sure, assuming a facility could be increased given the \$700 million of receivables and the \$200 million facility, it could be extended quite a lot from that current figure?

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

Yes, it could be extended. There is a limitation however if you recall on the private placement facility that we put into place in May of last year. There is a limitation as part of that facility on the amount by which we can take secured borrowings which basically 15% of total assets. So the \$200 million is not the maximum that we would be able to utilize under the private placement facility. The \$200 million was based on what we felt was appropriate in the medium-term as far as our overall facilities are required. So yes, the answer is the answer to your question, but not without limitation based on the private placement and covenant.

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

David Lynch - *Investec - Analyst*

Okay. A final question, given the current share price, are you actually considering buybacks?

Terry Burman - *Signet Group plc. - Group Chief Executive*

The Board regularly considers that issue based on corporate needs, our cash flow, our results, and the needs of the business. So as you can imagine, we are really not until after Christmas we would not make any determination on that.

David Lynch - *Investec - Analyst*

Okay and would management consider putting their hands in their pockets to buy some shares?

Terry Burman - *Signet Group plc. - Group Chief Executive*

It is up to each manager individually to make those kind of decisions, but we are in a closed period right now.

David Lynch - *Investec - Analyst*

I see, okay -- until after January?

Terry Burman - *Signet Group plc. - Group Chief Executive*

Until after the Christmas trading statement on January 10th.

David Lynch - *Investec - Analyst*

January 10th. Okay, thank you.

Operator

Simon Webber, Schroder.

Simon Webber - *Schroder - Analyst*

Most of it has been covered, but just focusing again on cost, what are you actually looking for kind of duration of this kind of trading activity or anything else before deciding upon more cost measures, you know, thinking more seriously about the fixed and variable cost control that can be taken in the US?

Terry Burman - *Signet Group plc. - Group Chief Executive*

We certainly would not make any moves until after -- on costs until after Christmas. I think Walker spoke already about costs and we will make any determination that we have in terms of changing some of our plans at that time.

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

Simon Webber - Schroder - Analyst

All right.

Operator

Mark Sherlock, Hermes.

Mark Sherlock - Hermes - Analyst

I was just wondering please going back to the US trends in November of -7%, the only other data point that I have seen is from Zales where their guidance for this quarter was down 0 to -2%. Does that mean that you are underperforming the competition or that things have got significantly worse for everyone?

Terry Burman - Signet Group plc. - Group Chief Executive

I think to a certain extent you're comparing apples and oranges. What they did is they made a comment about or a prediction -- or market guidance they gave as to the quarter as a whole. So the November through January sales they predicted their comp store sales they predicted would be 0 to -2. We made a comment only on the first three weeks of trading.

Mark Sherlock - Hermes - Analyst

Okay. Inevitably there'll be a read across I guess from the -7 for these three weeks across to Christmas. Is there anything that you can say given what you've seen historically as to the correlation or otherwise between trading at this period and Christmas?

Terry Burman - Signet Group plc. - Group Chief Executive

I wish I could, but no, we have been here before and with slow starts to Christmas. And sometimes it carries right through and sometimes it reverses, and there really is not a correlation. I would just remind you to the comment in the statement that we do have 75% of Christmas sales still to come.

Mark Sherlock - Hermes - Analyst

Absolutely, but just to be clear, you do not believe that you are underperforming the competition so far into the period?

Terry Burman - Signet Group plc. - Group Chief Executive

Well, let me just put it this way. I don't think -- we've outperformed the competition and gained market share for a lot of years straight. I don't think -- and by the way, we've outperformed the competition and gained market share for the first nine months of this year. In the last three weeks I don't think we've gotten suddenly stupid and I don't see a fundamental change -- there is no fundamental change in the way that we are running our business and I don't see any fundamental change in the changes in the marketplace.

So there is little tactical changes here and there which always occur, but there is no fundamental change in operating strategy that I see out there. So again, I can only say I don't think -- I don't know what would cause that to happen for us to be underperforming the marketplace after this long history of outperforming the marketplace.

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

Mark Sherlock - *Hermes - Analyst*

Good, good, thank you.

Operator

Tony Shiret, Credit Suisse.

Tony Shiret - *Credit Suisse - Analyst*

Just a couple of questions on the debtor book in the states. First of all, I just wondered what would be a reasonable forecasting assumption for the bad debt ratio for 2008, bearing in mind that you have during the year given us your views on price realignment to allow us to make more accurate forecasts?

And secondly, I just don't know this because I don't know it well enough, but could you tell us what the spread on your debt book is between your service revenues and your cost to finance gross of any bad debt charges? Thanks.

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

I think in terms of -- when you say '08, you mean in terms of next fiscal year or year --?

Tony Shiret - *Credit Suisse - Analyst*

Yes calendar -- 2008, the year to January 2009.

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

I think that clearly is very difficult. We say in the statement there is an increasing level of consumer uncertainty and obviously you read the same articles as we do in terms of issues that face US consumers. I think based on our history of the last ten years, we have seen our net bad debt as a percent of sales within a fairly tight band going from I think about 5.6% of credit sales through to 7%. Performance in the current year and fairly consistently through the current year has been comfortably within that range.

Whilst we see the metrics across a range of measures in the credit portfolio, whether it be accept rates, monthly collection rates, R&D and bad debt rates all reflecting a tighter consumer, there have been no fundamental changes so far. So as we sit here today, we would not expect that to occur next year. But clearly we need to see where general economic conditions go.

Tony Shiret - *Credit Suisse - Analyst*

Walker, basically you are saying that there has been about a 140 basis point spread on your bad debt ratio as a percentage of credit sales, yes?

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

Over the last -- in the last ten years, yes.

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

Tony Shiret - *Credit Suisse - Analyst*

Well, your bad debt ratio as a percentage of total sales looks like it has gone up by about 40 basis points on this period. So where --?

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

On what was a lower number -- within that ten-year range, last year was the lower number.

Tony Shiret - *Credit Suisse - Analyst*

So is fair to assume you're going to go up to the 7 on the credit sales type of figure.

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

Not necessarily. I think that is extrapolating out and assuming there are further deteriorations, which clearly one has to see as a possibility. So all I would say is, to repeat that, is the range of the last ten years, that includes clearly the slowdown in 2001, where there was a significant increase in unemployment. We will continue to keep, I think, our lending standards fairly constant.

Our credit offer has not just been consistent over the last two years; it has been consistent over the last several years. This year we have in recognizing the metrics moving against us, we have put more effort on, in terms of our collections staff. So keeping the lending standards steady and allowing then if there's a deterioration in personal balance sheets, that does result as we've seen in the last two to three months in a lower accept rate.

So if we keep with that strategy, then I would say the range of the last ten years remains a reasonable parameter in which to work with. But within that, where it goes within that I think will be dependent on how the consumer develops over the course of the next 15 months.

Tony Shiret - *Credit Suisse - Analyst*

But presumably, when you were hitting those high levels before, since that time the general availability of credit in the U.S. has become much easier, hasn't it, consumer credit, and presumably you've had to move sort of in line with that trend in the markets as a structural sort of change in the way your --?

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

No, we have not made our credit offer easier. Our lending standards throughout that ten-year period have been very consistent. So no, we would not chase the credit business in the sense that if there is a proliferation of credit cards by third parties, whether it be bankcards or whatever, then at that time we have seen our credit participation go down. So we would not chase that credit business. We would maintain our lending standards very steady.

So if you look over history when certainly credit did become -- there were periods over the past when credit has become easier in the states, you've seen our credit participation decline. If you go back certainly into the mid-90s, our credit participation was somewhere in the 56%, 57%. Over the last ten, 12 years, has declined; really over the last five years, it's been in the 50% to 51% area.

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

Tony Shiret - *Credit Suisse - Analyst*

So where is it now?

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

It is still within that 50%, 51% range.

Tony Shiret - *Credit Suisse - Analyst*

So on that basis, you are basically your bad debt as a percent of total sales gone up by 40 basis points. As a percent of credit sales, it's gone up by about 80 basis points within a range of 140. Is that a fair characterization?

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

Yes, in the last (multiple speakers).

Tony Shiret - *Credit Suisse - Analyst*

So if you went to the max of what you've seen in last ten years, it would go up another 60 basis points of credit sales and 30 basis points of total sales. Is that broadly what you're saying?

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

In order of magnitude, yes. Basically that would be about right (multiple speakers)

Tony Shiret - *Credit Suisse - Analyst*

So how confident are you that that would be sort of the extent of it, going up to something like 3.6%, 3.7% of sales?

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

As I say, I think we've seen this year the metrics move in terms of what we would expect to see in a tighter consumer without fundamental changes. I think where it goes next year will depend on how the consumer reacts as we go through that. In today's climates, I think you have today then I think the range that we've seen over the last ten years is a reasonable assumption.

Tony Shiret - *Credit Suisse - Analyst*

Okay and the second part of the question -- sorry, the spread you're seeing between the service revenues and the funding debt?

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

I think we've said in the past if one takes account of our interest-free portion, which remember for higher priced merchandise in both the mall stores and in terms of Jared, then our gross yield on the portfolio is somewhere in the 15%, 16%.

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

Tony Shiret - *Credit Suisse - Analyst*

Great. Thanks very much.

Operator

Luca Tobagi, Eurizon Capital.

Luca Tobagi - *Eurizon Capital - Analyst*

Actually a couple of questions. The first one is related to your price realignment indication. I wonder what is your expectation in terms of demand elasticity to that sort of price increase given the fact that the environment has been defined by yourselves as challenging. So what do you think is going to be your approach?

The second question is related to the balance sheet and more generally speaking, your opinion about the [current] stock price, because if we look at the stock price at present, the stock is at the same levels basically where it was at the end of 2002 or 2003. So where there was a level that is extremely high and it is not very far from where it was trading after September 11.

So I was wondering whether you think it is appropriate to maybe be somehow opportunistic in terms of what to do with your stock at the current levels? And not just look at how to spend the cash flow for CapEx and other kinds of gross investments, which are important of course, but what do you think about the current valuation levels for the stock?

Terry Burman - *Signet Group plc. - Group Chief Executive*

As I said earlier, in terms of -- you're talking about buybacks and in terms of buybacks, the Board regularly reviews that issue and decisions are made depending on the needs of the business, the strength of the cash flow (technical difficulty) plus -- operator, are we still connected here?

Operator

Absolutely.

Terry Burman - *Signet Group plc. - Group Chief Executive*

-- and the results of the business. So we would not, frankly, make a determination like that in November and December. It is important to wait until this very meaningful quarter or period is over. We will review -- we will certainly review that issue, as we regularly do in January.

In terms of the demand elasticity vis-a-vis the price increases, we have some estimates on that. Clearly it is going to be dependent on -- it is partially dependent on the consumer environment. It is partially dependent on the amount of the increase we take. Then it is partially dependent on how our -- how the consumer -- I'm sorry, (technical difficulty) so we have got a range of models in terms of that.

We believe it is appropriate to take these increases because of the commodity cost increases that we've faced for the last several years and we will certainly keep a close eye on what happens to our sales and our gross profit dollars during the period. Just further (technical difficulty)

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

Luca Tobagi - *Eurizon Capital - Analyst*

All right. Okay, thank you.

Operator

(OPERATOR INSTRUCTIONS) Tim Rankin, Blue Harbour Group.

Tim Rankin - *Blue Harbour Group - Analyst*

Walker, could you talk about whether you guys have (technical difficulty) increased the bad debt reserve?

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

Yes, I can hear you. The bad debt reserve has increased. The methodology has not. Hello. Can you hear me?

Tim Rankin - *Blue Harbour Group - Analyst*

Yes. Could you comment (technical difficulty) can you comment on to what extent the bad debt reserve (technical difficulty)?

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

The bad debt reserve has clearly gone up, as you can see, it is a percent of sales and (technical difficulty)

Tim Rankin - *Blue Harbour Group - Analyst*

I don't know why we have such a bad connection. Can you comment on to what extent the bad debt?

Terry Burman - *Signet Group plc. - Group Chief Executive*

Operator, tell that we can hear him and that we're trying to answer his question.

Tim Rankin - *Blue Harbour Group - Analyst*

But as a percent of receivables?

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

Yes, in terms of the methodology by which we reserve for bad debt, that has not changed. We have had a very consistent policy over the years that says if a debt is past due on a recency basis by 90 days, then we provide 100% for that debt and for those debts which are not within that category, then we have a provision to cover specifically the likelihood of them going down into that 90 days slots.

So overall the methodology has been consistent, which means if there is any change in the performance of our portfolio that does show up in the bad debt numbers fairly quickly. So yes, overall the reserve has gone up because of the slight deterioration

Nov. 27. 2007 / 9:00AM, SIG - Q3 2007 Signet Group Earnings Conference Call

in the performance, but the overall methodology by which we provide for bad debt has remained consistent right through that ten-year period that I was referring to earlier.

Operator

There are no further questions at this time. Gentlemen, I'd like to hand the conference back over to you for any additional or closing remarks.

Terry Burman - Signet Group plc. - Group Chief Executive

Let's see, our Christmas trading statement is scheduled for January 10 next year and will be followed by a conference call, the details of which can be found on our website in due course. Thank you for taking part in this call. We wish a happy and healthy Christmas and holiday season. Goodbye.

Operator

That will conclude today's conference, ladies and gentlemen. Thank you for your participation. You may now disconnect.

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.

©2007, Thomson Financial. All Rights Reserved.