FINAL TRANSCRIPT

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PRESENTATION

Lorraine Maikis-Hutchison - *Bank of America/Merrill Lynch - Analyst*

I'm Lorraine Hutchinson. I'm happy to have Signet here this afternoon to speak with you.

We have Terry Burman, who's been the group Chief Executive since 2000 and he was, until January of '06, also the CEO of the group's US division. Prior to joining the group in 1995, he was CEO of Barry's Jewelry; and he's also a non-executive director of Yankee Holding Corp.

We also have with us Tim Jackson, who's the Investor Relations Director. He's been with Signet since 1998 as group company secretary and IR director, and since '04 he's focused solely on investor relations.

So we're going to have Terry give a brief company overview and then we'll open it up for your questions.

Terry Burman - *Signet Jewelers Ltd. - CEO*

Thanks, Lorraine. It's a pleasure to be here and attending this conference for the first time. Please note the usual Safe Harbor wording. Also, please note that we will report our full year results in about two weeks time. So some of the information contained in the presentation is based on the forecast that we gave to the market at the time of our Christmas trading statement in January -- as you see, the Safe Harbor statement.

Signet's the world's largest specialty retail jeweler. In the US, which accounts for about 75% of our sales and operating profit, Kay is the number one brand by sales in the middle market. Jared is the leader in the upper middle market, and it's an off-mall destination category killer.

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

As you are all aware, the general environment is very challenging. Jewelry sales in particular were hit hard over the holiday period with industry sales in the specialty sector down by 18.5%. This is the second poor Christmas in a row for the sector.

The sector also faces challenges from volatile commodity costs, in particular for the increasing cost of gold. These factors have meant weak jewelry operators have been managing for cash, or having "going out of business" sales, which has resulted in some short-term disruption. Given that there has been no favorable change in the macro environment and unemployment continues to increase, the outlook remains uncertain.

However, despite all the negatives that the market has been focused on, the jewelry sector has some major attractions which really shouldn't be overlooked.

While the level of jewelry expenditure is discretionary, the expression of romance and appreciation through jewelry satisfies some very important human needs. As we saw over the holiday period, consumers may trade down but do continue to purchase jewelry.

For those firms that survive, the acceleration in sector consolidation, is good news.

At the end of 2008, there were about 25,000 specialty jewelry doors owned by about 22,500 firms with total sales of about $29 billion. We estimate that there was a reduction of 1,800 specialty jewelry stores last year. That gives the average sales per door of about $1.2 million and sales per firm of $1.3 million with 1.1 doors per firm.

There's a lot of rationalization that still is going to -- is taking place and needs to take place. Increasingly, the jewelry sector is one where sustainable, competitive advantages built on scale, and expertise rather than longevity in the local market are becoming very important.

Signet has established itself as the strongest and fittest of the middle market jewelry firms. We see opportunities to reinforce that position in the current market and so ensure that we are well placed for when the environment does begin to improve.

And now I'll cover some of the key advantages that we have. In jewelry, every piece of merchandise is under lock and key, and so customer service is paramount. We have therefore focused on recruitment, retention, and training of the best people; and this enables us to provide superior customer service demonstrated by the number of certified diamontologists that we have within the business.

In addition, our scale and investment in information technology means that we have the leading systems in store. So our sales staff can concentrate on assisting the customer rather than doing administrative tasks.

We have also built the leading supply chain capability in the middle market sector. About 75% of our sales in the US are diamond jewelry and we direct-source about 50% of the diamonds that we sell. This gives us a cost advantage so that we can offer good value in more basic, unbranded merchandise.

We use our buying power to successfully develop exclusive merchandise and differentiate our offering. For example, we have developed exclusive programs such as the Leo Diamond selection, a collection with the designer Le Vian, and the Open Hearts range by Jane Seymour. It's our practice to always test new styles earlier in the year so that we can more accurately stock the right inventory -- another advantage that scale gives us.

We then rolled the program out for holiday, and support it with national TV advertising if appropriate, once again an advantage that our scale brings. A good example of this was the Open Hearts range, which appeared on a national TV advertising for Kay over Christmas and Valentine's, and example of which we'd now like to show you.

(Video Playing)

Terry Burman - *Signet Jewelers Ltd. - CEO*

Thanks. That was a great collection -- that's a great collection for us. We had a lot of success with it over Christmas and Valentine's Day. It's exclusive to us and the exclusivity helps us protect our margins.

I'm unable to update you on our performance over Valentine's Day today, but will do so when we announce our full year results in two weeks on March 25th.

Exclusive ranges also help to protect gross merchandise margins as well as drive sales. One advantage of national TV advertising demonstrated in the example we've just seen is the ability to promote exclusive merchandise as we also have done consistently with the Le Vian range. Another is that as you grow sales and marketing spend, you get increased leverage in all markets, better quality slots and ancillary opportunities.

So TV is also particularly effective for conveying an emotional message which is central to jewelry marketing. We spend more on advertising than anyone else in the sector and this gives us the largest share of voice which, when combined with our well-received campaigns of "Every Kiss Begins with Kay" and "He Went to Jared" gives us some meaningful advantage.

A consistent, very disciplined approach to real estate means that our stores are in good locations, well-designed and up to date, and they have well above average productivity for the jewelry sector.

The ability to offer in-house credit rather than relying on a third-party bank is also an important advantage as a significant proportion of jeweler sales are on credit.

Now just looking at some of the hard figures. Over holiday 2008, while we were disappointed with our results, we significantly out performed in terms of same store sales and gross merchandise margin. Our performance this Christmas was not a one off. Over the last five years, our operating margin and return on assets have been about twice the industry average and for fiscal 2009, our operating margin is expected to be about seven percent having outperformed over Christmas and increased gross merchandise margins.

Therefore, while the current environment is tough for us, we believe that our competition are under significant strain and this is reflected in the next slide. So during the last year, three of the top ten middle market brands have liquidated or gone into Chapter 11, and Finlay, who owned Bailey, Banks & Biddle announced in the last month a major restructuring program whereby they will exit from their department store concessions and close about 40 of their 100-named specialty jewelry stores.

In addition, Zale's has also recently announced a further restructuring and the planned closure of 115 stores predominantly Zale's and Gordon's locations in the next 18 months.

Also in marked contrast to Kay and Jared, none have shown any significant increase in total sales or store numbers over the past six years.

So far, I've focused on the US as it accounts for 75% of our business, but our UK position is similar to that in the US with leading brands and market share. On a stand alone basis, if it operated in the US, our UK business would be about 60% larger than our third-largest middle market competitor.

We also have similar sustainable competitive advantages. In the UK, market we're larger than the next five firms combined making our scale advantages very significant and this is reflected in our financial performance. Over the last five years, our operating margin and return on assets have been about twice the industry average. For fiscal 2009, our operating margin is expected to be about nine percent.

As in the US, while 2009 will be tough for Signet, we believe that our competitors will be under significantly greater strain, particularly those that are more financial stretched.

As a group, we also have meaningful financial strengths and disciplines. A key discipline that underpins the group is that all store investment, whether it is in the US or the UK, a store re-fit or a new store opening requires a 20% internal rate of return on a discounted cash flow basis over five years. This discipline helps ensure that even in the current very challenging environment, we continue to be profitable and generate cash flow before financing activities.

We're also proactive in our financial management. When we saw the unprecedented nature of the downturn in September last year, we reviewed our financial plans and approached our lenders pre-Christmas to reduce our borrowing capacity and to amend our fixed charge cover covenant. That was a precautionary step as we are in compliance with our borrowing agreements but wanted to ensure that we would remain so.

Other actions we have taken to de-risk the business and to realign our trading stance include working with suppliers to offset the impact of input cost increases, a focus on leveraging our competitive strengths to maximize gross merchandise dollars, implementing meaningful cost savings and inventory reduction programs. We're also lowering capital expenditure and slightly reducing space. Overall we aim to achieve a meaningful decrease in total net debt this year.

These actions are designed to ensure that we come out of this downturn as the strongest, best placed operator in the middle market jewelry sector by reinforcing our leadership position. So we'll give more details on this during our year-end announcement and conference call, which will be webcast on March 25th.

And now we'd be happy to take any questions or any grilling that you have for us, Lorraine.

QUESTIONS AND ANSWERS

Lorraine Maikis-Hutchison - *Bank of America/Merrill Lynch - Analyst*

If you have a question, just raise your hand. We have a mike, but I may just start off with -- maybe if you could talk a little bit more about the competitive landscape. You know you have had a lot of bankruptcies in your malls.

How do you manage that from a promotional standpoint when those sales are going through liquidation? What kind of pressure does that put on you and how have you been handling it so far?

Terry Burman - *Signet Jewelers Ltd. - CEO*

Right. It obviously puts pressure on our top lines. There's no way you can compete with those prices. So it doesn't really put pressure on your margins because you're not going to try and -- as I said you're not going to try and compete with those prices.

It's -- we recognize it's a short-term issue. For instance, Finlay is liquidating department store -- jewelry departments right now and from what we hear in the industry they'll be done by June. I think the department store liquidations put less -- put some but less pressure on us than the mall store liquidations because I think in the department stores it creates somewhat of a mix shift on those liquidations.

But it -- the -- really only the real only defense that we have in a case like that is we train our salespeople and we train them again and we train them again to promote our warranties, our guarantees. Jewelry's an item the customers buy because they have confidence and we just reinforce the confidence issue of our stores.

And you really have to look through it. You have to look through those liquidations and you just have to say, okay, when we get through this liquidation we're going to be in a stronger position.

Now this year we are feeling the benefit of some of those exits. We're feeling the benefit of Friedman's not being in the malls anymore. We're feeling the benefit of Whitehall being out of the malls, having fewer competitors. You know we're also getting the benefit of not being against the Zale's inventory liquidation from last year.

So I think on balance this year, I think we're better off than we were facing the liquidations last year. But there's still some disruption and there's probably more to come.

Lorraine Maikis-Hutchison - *Bank of America/Merrill Lynch - Analyst*

And what about the bridal business? I can't imagine people are buying engagement rings on liquidation. Are you able to maintain stability there?

Terry Burman - *Signet Jewelers Ltd. - CEO*

That would be a tough sale. That is a tough sale especially in bridal because it's a developed purchase where people are coming back over and over and it's usually the bride and the groom there. So that is a difficult category to sell.

The bridal business is holding up better than our other -- than any of our other categories, so we are seeing -- and it normally does. It normally does. It's a more stable category. But we are seeing some trading down in the category to some lower price points, but it is holding up better than the business as a whole.

Lorraine Maikis-Hutchison - *Bank of America/Merrill Lynch - Analyst*

And demographically, Jared is a slightly higher income customer versus Kay -- is that right?

Terry Burman - *Signet Jewelers Ltd. - CEO*

Right. Right.

Lorraine Maikis-Hutchison - *Bank of America/Merrill Lynch - Analyst*

And what are you seeing the differences of between those two? Is one holding up better than the other?

Terry Burman - *Signet Jewelers Ltd. - CEO*

Through September, Jared was outperform -- through September of 2008, Jared was outperforming. It almost happened like right on the Lehman weekend. It was unbelievable. At that point in time, the Jared customer -- that demographic which is about a $95,000 average household income versus a Kay customer which is about a $65,000 average household income -- the Jared customer pulled back and they have remained weaker through the end of our fiscal year.

Unidentified Audience Member

Hi. You talked about one of your priorities for 2010 is to lower the costs that you have with your suppliers. Could you just elaborate on that? Will you be increasing your level of direct sourcing in the next year?

Terry Burman - *Signet Jewelers Ltd. - CEO*

No, but there's opportunities in the diamond market right now. Let me be clear, gold is gold and the price is up. Our average price in that we'll be buying this year is increasing in gold which is about 20% of our cost of goods sold. Diamonds are about

50% of our cost of goods sold and there are some opportunities in that market right now. So the purchases of rough have slowed way down.

I'll give you an example -- how the mining companies are reacting to it. De Beers sights a year ago -- in December, January and February -- were about $1.7 billion. De Beers sights -- which is when they sell to their clients -- this December, January and February were a little over $300 million. Alrosa said that Russian diamond manufacturer also is responding to the over capacity or over supply in the market. But while that over supply is out there, we can take advantage of that opportunity, and we are taking advantage of it and lowering our cost to goods right now on loose diamonds.

Unidentified Audience Member

(Inaudible - microphone inaccessible)

Terry Burman - *Signet Jewelers Ltd. - CEO*

No, because we think -- no. First of all, I'd have to work into our average cost to goods so it takes a while to average down. But we don't think it's -- we don't think it's a situation that's going to remain in place because of the withholding of supply that De Beers and Alrosa and Rio Tinto are -- that's how they're conducting their business.

Right now they're closing a lot of mines for maintenance. They are -- they're shutting some of the more older and lower yielding mines and they're just reducing the supply. Eventually, this is going to create an equal -- and they're not reducing their prices so eventually the supply and the demand will get into equilibrium. It's just the excesses need to be worked off but while those excesses are being worked off that's -- we're being opportunistic lowering our cost to goods. But it's not a situation that we believe will be long lasting.

Lorraine Maikis-Hutchison - *Bank of America/Merrill Lynch - Analyst*

What's the pricing change differential? Is the high end holding up better than the low end or vice versa? How are you seeing that play out?

Terry Burman - *Signet Jewelers Ltd. - CEO*

Jared is -- are you talking about --

Lorraine Maikis-Hutchison - *Bank of America/Merrill Lynch - Analyst*

Diamond -- larger diamond --

Terry Burman - *Signet Jewelers Ltd. - CEO*

Larger diamond?

Lorraine Maikis-Hutchison - *Bank of America/Merrill Lynch - Analyst*

-- versus small diamonds.

Terry Burman - *Signet Jewelers Ltd. - CEO*

The -- over the past seven, eight years the better quality, larger size, higher priced diamonds have appreciated at a much more rapid rate than our merchandise which is really two carats -- three carats and below for Jared and two carats and below for Kay. That merchandise is not seeing the kind of price increases. As a matter of fact, it's been pretty flat for the last seven or eight years.

So as you would expect, when there is some price deflation, it's much greater at the higher end of the market than it is at our end of the market. I can't be -- obviously I can't be explicit about it here because I don't want to say what kind of discounts we're getting off of our normal price. It's just competitively sensitive. But it's not as great as you would see at the over three carat market.

Lorraine Maikis-Hutchison - *Bank of America/Merrill Lynch - Analyst*

And what are you seeing from your UK customer versus your US? Are there any differences in behavior or activity there?

Terry Burman - *Signet Jewelers Ltd. - CEO*

It's very similar -- just very, very similar. The marketplace environment, the consumer attitudes -- they're very similar and for many of the same reasons.

Lorraine Maikis-Hutchison - *Bank of America/Merrill Lynch - Analyst*

And you're one of the few retailers to own your own credit business here in the US. You know how much of a competitive advantage is that versus taking the risk of holding those liabilities?

Terry Burman - *Signet Jewelers Ltd. - CEO*

Well, we think it's a significant competitive advantage. If you look back at -- the best example I could give you is if you look back at 2000, Zale had their own receivable portfolio and we had our receivable portfolio and we were both running in the low to mid 50% credit participation.

Today we're still at -- last year we were at 53%. Zale was at about 36%/37%, so it's an example -- I think that's a very good example of -- we want to run our credit portfolio which is -- credit's hugely important to the sale of especially middle market jewelry.

And we want to run the credit portfolio in the best interest of our business as opposed to a third party running a credit portfolio in the best interest of their business -- and based on their corporate interests. And as you can imagine those interests can in a time like this can really diverge. So we think it's a -- we know it's a meaningful advantage.

We've had experience acquiring other retail. When we acquired Marks & Morgan -- it was a 140-store chain in 2000 -- they were so unhappy with - they had outsourced their credit and they were so unhappy of having done that. They were in the process of taking it back in house which worked for us because they had already broken the contract and we were able to just move ahead with bringing the credit in house and we had the infrastructure to do it.

Lorraine Maikis-Hutchison - *Bank of America/Merrill Lynch - Analyst*

When you look at your store footprint, you know how do you feel about the number of stores, the locations they're in, the malls or centers that they're in -- are you comfortable with your real estate now? And what kind of maybe growth coming out of this do you expect?

Terry Burman - *Signet Jewelers Ltd. - CEO*

Well, as you can imagine, productivity per door is going down and it is probably for all retailers in just about all sectors. But as I said in the presentation, we have very strict disciplines that we have exercised and that 20% five-year -- on a five-year basis has really served us well because what we were doing is if a store didn't meet that metric -- that return metric and it got to a lease renewal as opposed to investing in it and doing another ten year lease, even it was profitable, we just did short-term leases.

So we have a group of stores of 150 to 200 stores every year that come up for renewal that are on short-term rollover leases. And that gives us a pool that in a period like this where stores either fall below the profitability line where we can close them, or if they fall below our return requirements we can also shut them. So this -- we don't need a mass closing, but as everyone can imagine there's fewer stores that clear the return hurdle in these days so we just shut them down and we're not emotional about it at all. It just -- you know that's what we do.

We keep our store portfolio productive and keep our inventory current. We ended the year -- even with the shortfall at Christmas in inventory -- we ended the year on our inventory plan in the US, and in the UK. So we've got a great planning department. It's just about -- you've got to keep your assets turning and then keep them healthy and if you do then you don't have those -- you can focus on the blocking and tackling of the business as opposed to having to fix problems that crop up from unproductive assets.

Unidentified Audience Member

(Inaudible - microphone inaccessible). As you think about your geographic footprint over the long run, will you be investing in other markets outside of the US and the UK? Do you have any emerging market opportunities in mind?

Terry Burman - *Signet Jewelers Ltd. - CEO*

It's unlikely, very unlikely. First of all, there's nothing of any mass to acquire, so we'd have to build it from the ground up. Not only do you have to build it from the ground up because you've got -- jewelry is a very culturally sensitive product category to try and sell.

And going into a new market where you don't understand -- where you don't speak the language or don't understand the customs and your brand is not recognized and building from the bottom up is -- that's a long haul. If there was something of some mass someplace which there's not we would consider it, but we didn't run across anything like that in the good times and we wouldn't be open to doing something like that -- it's too big a risk to do in this kind of environment.

Unidentified Audience Member

And can you talk a little bit about product expansions? What have you recently expanded your product base to and how are those new items performing?

Terry Burman - *Signet Jewelers Ltd. - CEO*

Well the Jane Seymour collection was a great hit -- very successful over Christmas and Valentine's Day. And it shows -- the customers still -- the emotional aspect of the story appealed to consumers, the design, the price points were just right for this environment, and we had very good success with the line over Christmas and Valentine's Day.

The Leo Diamond which is our proprietary diamond that's manufactured especially for us -- it's the first diamond that was every independently certified for greater fire, sparkle and brilliance. And that performed better than the average of our sales across the estate.

The Le Vian collection, which is a jewelry designer we got gains out of that category. And these are all exclusive ranges where we're not taking discounts. We don't have to discount because the customers -- we're the only place that they can -- we're the only stores in which they can purchase these items.

We have a Russell Simmons collection, which is urban male type style jewelry in alternative metals -- very successful. So these -- and we have more of these product categories in development right now that we're testing.

Unidentified Audience Member

And any updates on the performance of your watch business?

Terry Burman - *Signet Jewelers Ltd. - CEO*

Watches were -- in the UK, they were up last year both in the high end and in the moderate price ranges so the category grew in both H. Samuel and Ernest Jones. In the US, excuse me, in the US, watches were down a bit in mix. So the two markets performed completely differently. We didn't take a huge hit on watches but the mix was down a little.

Lorraine Maikis-Hutchison - *Bank of America/Merrill Lynch - Analyst*

Anyone else?

Unidentified Audience Member

If I can follow up with just one more question?

Terry Burman - *Signet Jewelers Ltd. - CEO*

Okay.

Unidentified Audience Member

I'm sorry.

Terry Burman - *Signet Jewelers Ltd. - CEO*

We can make this a one on one!

Unidentified Audience Member

You know you mentioned that one of your strengths is your visibility just given the investments that you've made in advertising and it's been pretty effective.

Terry Burman - *Signet Jewelers Ltd. - CEO*

Right.

Unidentified Audience Member

Is there a way to measure the effectiveness of that in terms of anything you can quantify? And what are you planning for fiscal 2010 in terms of your advertising investments?

Terry Burman - *Signet Jewelers Ltd. - CEO*

You advertise your brands for greater brand name recognition to drive likeability, visit intent and purchase intent. And all of those can be measured through consumer surveys. I think that when we started the "Every Kiss Begins with Kay" national ad program which was -- was it six/seven years ago now?

Tim Jackson - *Signet Jewelers Ltd. - Director, IR*

Probably years before that -- about 2000 or so.

Terry Burman - *Signet Jewelers Ltd. - CEO*

Yes, okay, so we're going into maybe the eighth year, ninth year. Our brand name recognition was in the low -- aided brand name recognition was in the low 60%. Now it's in the 90%, so there's a great measure for you. And we know that our campaigns -- we know that our campaigns continue to drive likeability, visit intent and purchase intent, so yes, it's measurable.

I guess the other great evidence of the effectiveness of TV would have been Jared. When we -- as Jared was growing we had for many years until about, oh, maybe six years ago we had advertised only on radio because it didn't have enough mass to do TV.

When we started turning on TV, we did it in local markets and the first year we initiated the campaign with three local markets and then we added some more and added some more and added some more. And the average increase that we -- so it was a good test because you had an isolated -- what do you call that group?

Tim Jackson - *Signet Jewelers Ltd. - Director, IR*

(Inaudible - microphone inaccessible)

Terry Burman - *Signet Jewelers Ltd. - CEO*

Control group, thank you. They had an isolated control group and the average increase in each market in which we turned it on in the year that we turned it on was in double digits over the stores that hadn't had it turned on. And then as we started lifting the weights, then we got further increases.

So that was a great test of TV and the power of TV if you have the right campaign. You've got to have the -- it's not just about weight, you've got to have the right campaigns. And the "He Went to Jared" campaign is very popular, very well-received as is "The Kiss Begins with Kay" campaign.

Unidentified Audience Participant

Do we have time for one more?

I had a quick question kind of about mix shift. One of the things that you pointed out was customers trading down within bridal. I was wondering if you could just take a second and just talk about other areas where you've seen customers trading down and from a gross margin perspective, how that impacts you guys?

Terry Burman - *Signet Jewelers Ltd. - CEO*

It's intuitive, but I think there's a question of [here] also. It's counterintuitive but jewelry the lower the price the higher the margin, okay, so it's actually helpful, the margin, as the average sale might reduce. But it's all categories that customers are trading down. It's not just the bridal category. I didn't mean to single that out. We were talking about bridal at the time. So it's just our average unit sale starting with last quarter of last year started trending down a bit.

Unidentified Audience Participant

Hi. Just back on credit. What percent of sales are done on credit and are you seeing any problems with bad debts or worse than you've seen in the past or tightening up credit standards or what have you?

Terry Burman - *Signet Jewelers Ltd. - CEO*

Sure. Like sales are falling -- in this kind of environment bad debts do tend to increase. It's a macro issue. 53% of our sales last year are on credit, but for example, in the fourth quarter, we had a four percent higher reject rate. So our systems are doing their job. We're having more people -- more customers applying for credit, fewer clearing the hurdle to get credit.

Bad debts are up in line with industry averages for increase in bad debts in this environment. So you know there's some cyclicality to bad debt like there is to sales and we're in one of those environments. But we think that -- we still believe that the benefits far outweigh the negatives in having our own receivables.

Lorraine Maikis-Hutchison - *Bank of America/Merrill Lynch - Analyst*

I think we're out of time, so thanks everybody for coming and thanks to Signet for attending the conference.

Terry Burman - *Signet Jewelers Ltd. - CEO*

Thank you, Lorraine. And thank you all for attending.