

# SIGNET JEWELERS

Results Presentation, March 30, 2011

Year Ended January 29, 2011

**K A Y**  
JEWELERS  
Every kiss begins with Kay®

**JARED**  
The Galleria Of Jewelry

**H.SAMUEL**  
THE JEWELLER

**Ernest Jones**  
The Diamond & Watch Specialist

# Forward Looking Statements & Other Disclosure Matters

**Forward-Looking Statements** - This presentation contains statements which are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, based upon management's beliefs and expectations as well as on assumptions made by and data currently available to management, appear in a number of places throughout this presentation and include statements regarding, among other things, our results of operation, financial condition, liquidity, prospects, growth, strategies and the industry in which Signet operates. The use of the words "expects," "intends," "anticipates," "estimates," "predicts," "believes," "should," "potential," "may," "forecast," "objective," "plan" or "target," and other similar expressions are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to a number of risks and uncertainties, including but not limited to general economic conditions, the merchandising, pricing and inventory policies followed by the Signet, the reputation of Signet and its brands, the level of competition in the jewelry sector, the cost and availability of diamonds, gold and other precious metals, regulations relating to consumer credit, seasonality of Signet's business and financial market risks, deterioration in consumers' financial condition, exchange rate fluctuations, changes in consumer attitudes regarding jewelry, management of social, ethical and environmental risks, inadequacy in and disruptions to internal controls and systems, changes in assumptions used in making accounting estimates relating to such items as extended service plans and pension, and risks relating to our being a Bermuda corporation.

For a discussion of these and other risks and uncertainties which could cause actual results to differ materially, see the "Risk Factors" section of the Signet's Fiscal 2010 Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission on March 30, 2010. Actual results may differ materially from those anticipated in such forward-looking statements. Signet undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances, except as required by law.

**Non-GAAP Measures** - Certain financial measures used during this presentation are considered to be 'non-GAAP financial measures'. For a reconciliation of these to the most directly comparable GAAP financial measures, please refer to Signet's press release dated March 30, 2011 available on Signet's website, [www.signetjewelers.com](http://www.signetjewelers.com) or to the appendix of this presentation.

**Correction of Immaterial Error** – During the third quarter of Fiscal 2011, Signet changed the period of revenue and cost deferral for its extended service plans. Signet has adjusted in this quarter for the affected prior periods. Please refer to the press release dated January 11, 2011 available on Signet's website, [www.signetjewelers.com](http://www.signetjewelers.com) for additional information regarding the correction of the immaterial error.

# Fiscal 2011 Results Highlights

- ⇒ Same store sales up 6.7%
  - ⇒ US division up 8.9%
  - ⇒ UK division down 1.4%
- ⇒ 10.8% operating margin, up 270 bpts
- ⇒ Income before taxes and Make Whole \$347.9<sup>1</sup> million, up 50.9%
- ⇒ Diluted eps excluding Make Whole \$2.66<sup>1</sup>, up 45.4%
- ⇒ Free cash flow<sup>2</sup> of \$ 315.8 million before Make Whole Payment

1. \$47.5 million 'Make Whole' payment resulting from the prepayment in full of private placement notes on November 26, 2010 (the "Make Whole or "make Whole Payment"); non-GAAP measure, see slide 35.

2. Net cash provided by operating activities less net cash flows used in operating activities; non-GAAP measure, see slide xx

# Fiscal 2011 Sales Performance

	US	UK	Total
Sales Fiscal 2011 \$m	2,744.2	693.2	3,437.4
Sales Fiscal 2010 \$m	2,540.4	733.2	3,273.6
<b>Change in sales</b>	<b>%</b>	<b>%</b>	<b>%</b>
Same store sales	8.9	(1.4)	6.7
Space impact	(0.9)	(1.6)	(1.1)
Change in total sales at constant exchange rate <sup>1</sup>	8.0	(3.0)	5.6
Exchange translation impact	—	(2.5)	(0.6)
Change in total sales as reported	8.0	(5.5)	5.0

1. Non-GAAP measure, see slide 37

# Fiscal 2011 Results

	2011 \$m	2011 ex Make Whole <sup>1</sup> \$m	2010 \$m
Sales	3,437.4	3,437.4	3,273.6
Operating income, net	372.5	372.5	264.5
Net interest expense	(72.1)	(24.6)	(34.0)
Income before income taxes	300.4	347.9	230.5
Income taxes	(100.0)	(118.0)	(73.4)
Net income	200.4	229.9	157.1
Diluted earnings per share	\$2.32	\$2.66	\$1.83

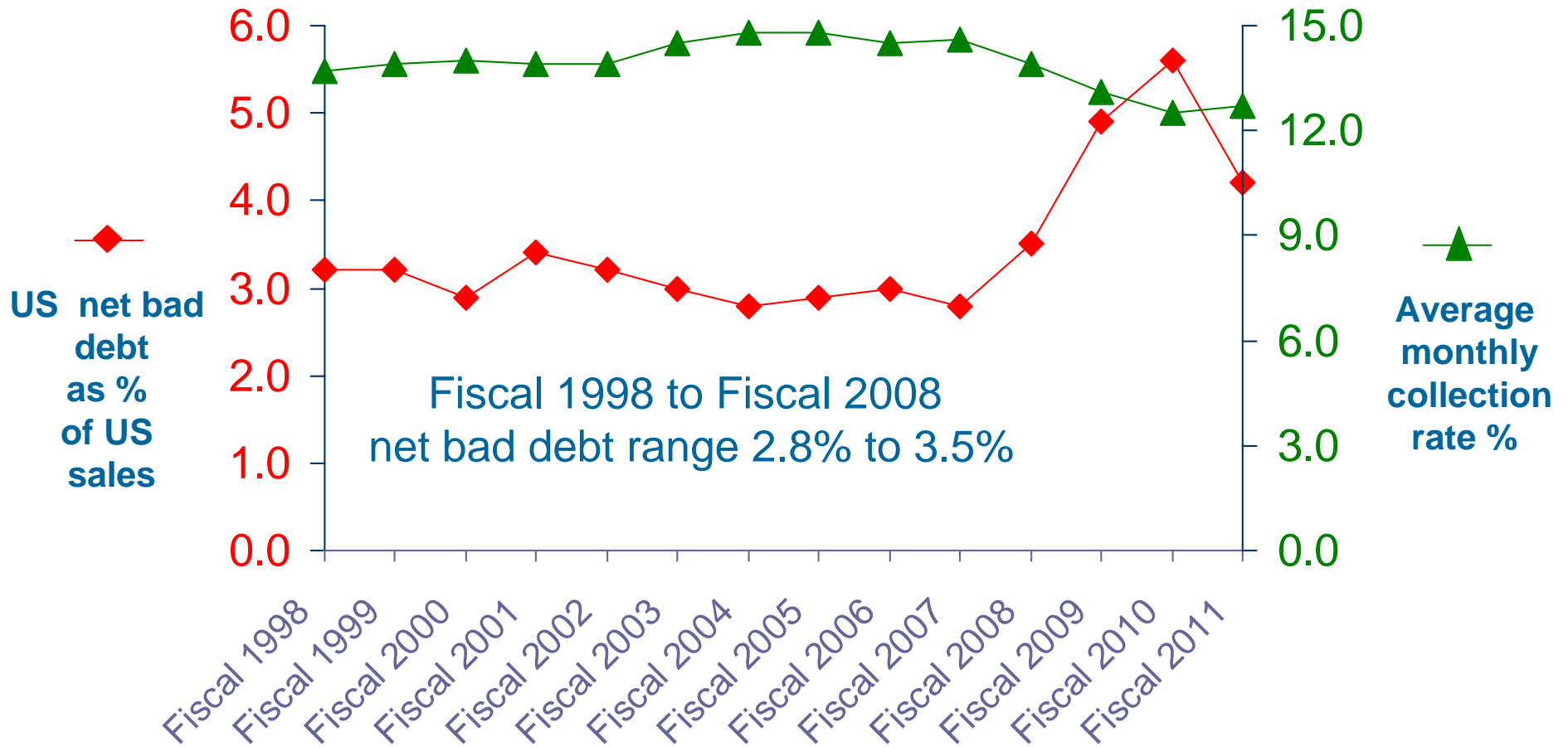
1. Non-GAAP measure, see slide 35

# Fiscal 2011 Reconciliation

% of sales

<b>Income before tax Fiscal 2010</b>	<b>\$230.5m</b>	<b>7.0%</b>
Gross margin movement	\$177.3m	3.6%
Selling, general & admin. expense movement	\$(63.9)m	(0.5)%
Other operating income movement	\$(5.4)m	(0.4)%
<b>Operating income movement</b>	<b>\$108.0m</b>	<b>2.7%</b>
Net interest movement ex Make Whole	\$9.4m	0.4%
Income before tax Fiscal 2011 ex Make Whole	\$347.9m	10.1%
Make Whole	\$(47.5)m	(1.4)%
<b>Income before tax Fiscal 2011</b>	<b>\$300.4m</b>	<b>8.7%</b>

# US Receivables Performance



# Cash Flow

	Fiscal 2011	Fiscal 2010
	\$m	\$m
Net cash provided by operating activities	323.9	515.4
Net cash used in investing activities	<u>(55.6)</u>	<u>(43.5)</u>
<b>Free cash flow<sup>1</sup>, after Make Whole Payment</b>	<b>268.3</b>	471.9
Net cash used in financing activities	<u>(283.1)</u>	<u>(251.7)</u>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(14.8)</b>	220.2
Cash and cash equivalents, beginning of year	316.2	96.8
(Decrease)/increase in cash and cash equivalents	(14.8)	220.2
Effect of exchange rate changes on cash and cash equivalents	<u>0.7</u>	<u>(0.8)</u>
Cash and cash equivalents, end of year	<b>302.1</b>	316.2

1. Non-GAAP measure, see slide 41

# Fourth Quarter Sales Performance

	US	UK	Total
Sales Q4 Fiscal 2011 \$m	1,007.0	263.5	1,270.5
Sales Q4 Fiscal 2010 \$m	914.0	282.8	1,196.8
<b>Change in sales</b>	<b>%</b>	<b>%</b>	<b>%</b>
Same store sales	11.4	(2.9)	8.1
Space impact	(1.2)	(1.6)	(1.3)
Change in total sales at constant exchange rate <sup>1</sup>	10.2	(4.5)	6.8
Exchange translation impact	—	(2.3)	(0.6)
Change in total sales as reported	10.2	(6.8)	6.2

1. Non-GAAP measure, see slide 39

# Fourth Quarter Results

	2011 \$m	2011 ex Make Whole <sup>1</sup> \$m	2010 \$m
Sales	1,270.5	1,270.5	1,196.8
Operating income, net	210.5	210.5	177.2
Net interest expense	(50.9)	(3.4)	(7.5)
Income before income taxes	159.6	207.1	169.7
Income taxes	(54.2)	(72.2)	(54.2)
Net income	105.4	134.9	115.5
Diluted earnings per share	\$1.21	\$1.55	\$1.34

1. Non-GAAP measure, see slide 40

# Q4 Fiscal 2011 Reconciliation

% of sales

<b>Income before tax Q4 Fiscal 2010</b>	<b>\$169.7m</b>	<b>14.2%</b>
Gross margin movement	\$87.1m	4.8%
Selling, general & admin. expense movement	\$(54.1)m	(2.9)%
Other operating income movement	\$0.3m	(0.1)%
<b>Operating income movement</b>	<b>\$33.3m</b>	<b>1.8%</b>
Net interest movement ex Make Whole	\$4.1m	0.3%
Income before tax Fiscal 2011 ex Make Whole	\$207.1m	16.3%
Make Whole	\$(47.5)m	(3.7)%
<b>Income before tax Q4 Fiscal 2011</b>	<b>\$159.6m</b>	<b>12.6%</b>

# **Fiscal 2011**

# **Operating Review**

# Growth in US Market Share<sup>1</sup>

	2000	2005	2008	2009	2010
Signet	5.8%	8.0%	8.5%	9.0%	9.3%
Zale <sup>2</sup>	7.3%	7.6%	5.5%	4.9%	4.7%
Tiffany	4.1%	5.0%	5.2%	4.7%	5.0%
Blue Nile	0.2%	0.7%	0.9%	1.0%	1.0%
Finlay <sup>2</sup>	nil	nil	1.0%	Liquidated	-
Friedman	1.5%	1.2%	Liquidated	-	-
Whitehall	1.4%	1.0%	Liquidated	-	-

1. Share of US specialty jewelry market as estimated by the US Census Bureau, based on US sales as disclosed in SEC filings

2. Finlay's acquired Bailey, Banks & Biddle in November 2007 from Zales, Congress Jewelers in November 2006 & Carlyle Jewelers in May 2005

# US Performance

	Sales	Same store sales	Change in sales	Change in ASP <sup>1</sup>
<b>Fiscal 2011</b>				
Kay	\$1,592.9m	7.0%	6.4%	7.6%
Jared	\$848.3m	15.7%	18.1%	7.0%
Regionals	<u>\$303.0m</u>	1.9%	(6.8)%	4.0%
<b>US division</b>	<u>\$2,744.2m</u>	<b>8.9%</b>	<b>8.0%</b>	<b>8.0%</b>
<hr/>				
Operating income, net		\$342.7m		up 52.7%
Operating margin		12.5%		up 370 bpts

1. Average selling price, excluding charm bracelet category

# US Performance Drivers

- ⇒ Gained profitable market share
  - ⇒ superior customer experience due to focus on service
  - ⇒ increased TV advertising in Q4
  - ⇒ development of differentiated brands, mix up 300 bpts
  - ⇒ focus on bridal category, mix up to over 50%
- ⇒ 120 bpts increase in gross merchandise margin
- ⇒ Reduced net bad debt to US sales ratio
- ⇒ Leverage of store occupancy costs

# UK Performance

	Sales	Same store sales	Change in sales at CER <sup>1</sup>	Change in ASP <sup>2</sup>
<b>Fiscal 2011</b>				
H.Samuel	\$373.4m	(1.6)%	(2.8)%	8.0%
Ernest Jones	\$319.5m	(1.1)%	(1.7)%	9.3%
Other	<u>\$0.3m</u>	nm	nm	nm
<b>UK division</b>	<b><u>\$693.2m</u></b>	<b>(1.4)%</b>	<b>(3.0)%</b>	<b>9.2%</b>
Operating income, net			\$57.0m	up 0.9%
Operating margin			8.2%	up 50 bpts

1. Change in sales at constant exchange rates; non-GAAP measure see slide 37

2. Average selling price, excluding charm bracelet category

nm – not meaningful

# **Operating Strategy and Financial Objectives for Fiscal 2012**

# Current Trading Update

- ⇒ Same store sales up 8.5% in first seven weeks of Fiscal 2012
  - ⇒ up 6.6% first seven weeks of Fiscal 2011
- ⇒ US division up 11.4%
  - ⇒ up 8.2% first seven weeks of Fiscal 2011
- ⇒ UK division down 4.6%
  - ⇒ down 0.1% first seven weeks of Fiscal 2011

# Continue Successful Strategy

- ⇒ Build profitable market share
  - ⇒ superior customer service
  - ⇒ increase advertising support for brands
  - ⇒ focus on bridal category
  - ⇒ grow differentiated branded merchandise
- ⇒ Financial strength and flexibility enables appropriate increase in investment
  - ⇒ inventory
  - ⇒ capital expenditure

# Fiscal 2012 Financial Objectives

- ⇒ Gain profitable market share
- ⇒ Improve gross margin ratio
- ⇒ SG&A to sales ratio to be broadly similar to the level of Fiscal 2011
  - ⇒ flexing primarily with expenses which vary with sales
- ⇒ Positive free cash flow of between \$150 million and \$200 million

# US Customer Service - Key Strength

- ⇒ Well trained and supported sales staff
  - ⇒ customer service, selling skills & technical knowledge
  - ⇒ personalized targets and training
- ⇒ Appropriate motivation
  - ⇒ rewards based on individual and store performance
- ⇒ Seasoned field management
  - ⇒ all must have been a Signet store manager
- ⇒ World class service capability
  - ⇒ in-house repair capability with ~1,100 skilled artisans

# Largest & Most Effective Marketing Spend in US Jewelry Sector

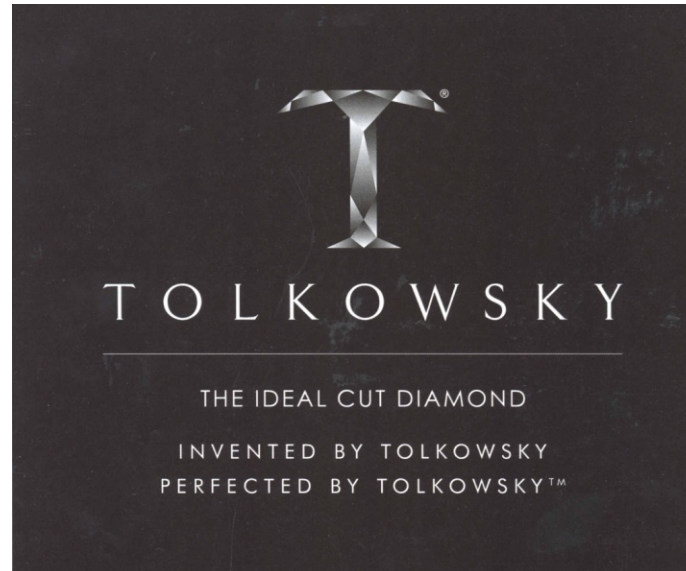
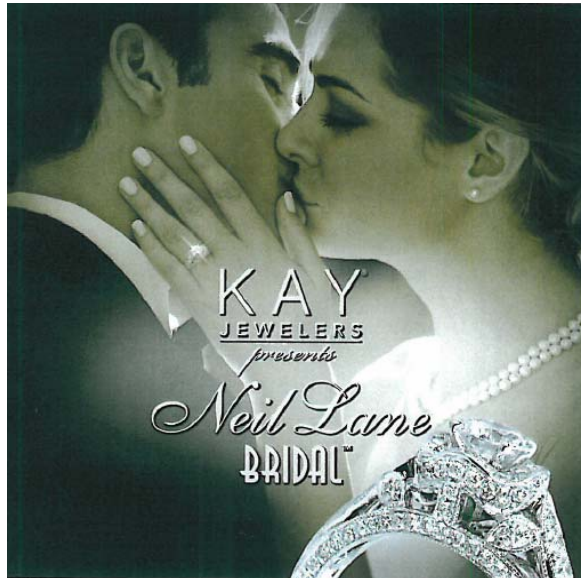
- ⇒ Further increase in marketing planned
  - ⇒ US division has an advertising to sales ratio nearly double that of a typical jeweler<sup>1</sup>
- ⇒ Scale to effectively use national TV
- ⇒ Successful, long running campaigns
  - ⇒ “Every Kiss Begins With Kay”
  - ⇒ “He Went to Jared”
- ⇒ TV marketing for major differentiated brands
- ⇒ Strong CRM program
  - ⇒ supported by about 27 million name proprietary database
- ⇒ Increased investment in internet and social media

1. Based on Jewelers of America ‘Cost of Doing Business’ survey

# Bridal Expertise Gives Opportunity to Grow Market Share

- ⇒ Development of exclusive branded merchandise
- ⇒ Convergence of core strategic strengths
  - ⇒ superior customer service
  - ⇒ supply chain advantages
  - ⇒ ability to offer in-house customer financing
  - ⇒ resulting in outstanding customer experience

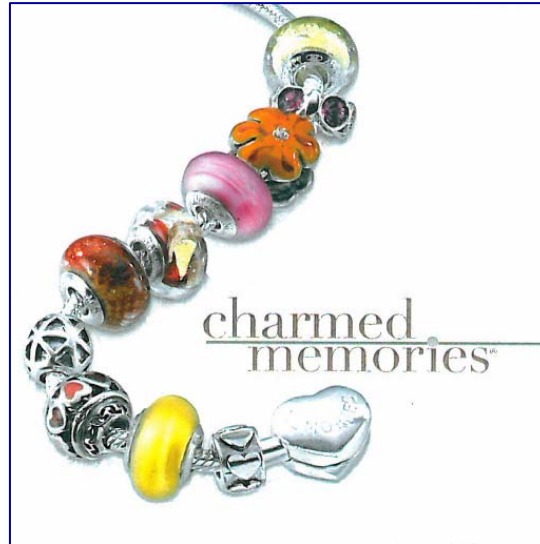
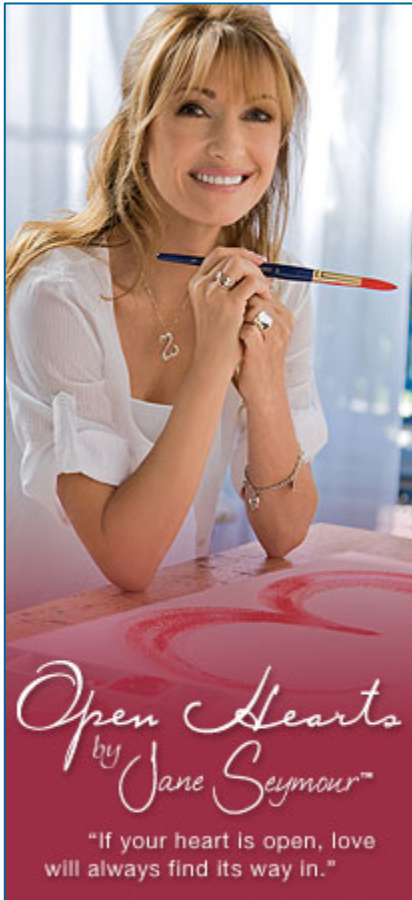
# Brands Driving Bridal Sales



# Advantages of Branded Differentiated & Exclusive Merchandise

- ⇒ Creates a unique store destination
- ⇒ Provides sales associates powerful selling proposition
- ⇒ Improved merchandise margin & less exposure to competitive discounting
- ⇒ Drive awareness & purchase intent as part of national brand advertising
- ⇒ Leverages strategic supply chain strengths

# Growing Differentiated Brands



# Supply Chain Strengths

- ⇒ Scale and expertise
  - ⇒ leading market share
  - ⇒ balance sheet strength
  - ⇒ buying and merchandise systems
  - ⇒ proven ability to execute
- ⇒ Greater ability to ‘test before invest’
  - ⇒ reduced inventory risk
  - ⇒ better able to identify ‘winners’
- ⇒ Direct sourcing of polished diamonds

# US Changes in Square Footage

	Kay mall <sup>1</sup>	Kay off- mall	Regional brands	Jared <sup>2</sup>	Total	Change in space <sup>2</sup>
<b>Jan 2008</b>	<b>789</b>	<b>105</b>	<b>351</b>	<b>154</b>	<b>1,399</b>	<b>10%</b>
<b>Jan 2009</b>	<b>795<sup>3</sup></b>	<b>131</b>	<b>304<sup>3</sup></b>	<b>171</b>	<b>1,401</b>	<b>4%</b>
<b>Jan 2010</b>	<b>794</b>	<b>129</b>	<b>260</b>	<b>178</b>	<b>1,361</b>	<b>(1)%</b>
Opened	2	2	-	2	6	
Closed	(16)	(3)	(31)	-	(50)	
<b>Jan 2011</b>	<b>780</b>	<b>128</b>	<b>229</b>	<b>180</b>	<b>1,317</b>	<b>(2)%</b>
Openings planned	8	13	-	4	25	
Closures forecast	(7)	(8)	(21)	-	(36)	
<b>Jan 2012 forecast</b>	<b>781</b>	<b>133</b>	<b>208</b>	<b>184</b>	<b>1,306</b>	<b>0%</b>

1. Includes stores in downtown locations

2. A Jared store is equivalent to about four mall stores in size

3. Includes two regional stores rebranded as Kay in Fiscal 2010

# Challenges in UK Marketplace

- ⇒ Pressure on discretionary spending due to government austerity program
- ⇒ 2.5% increase in VAT to 20%
  - ⇒ sales tax included in displayed price not added-on at cash register
  - ⇒ \$13.0 million hit to sales if not reflected in retail price
- ⇒ Higher inflation with limited growth in disposable income

# UK Sales Initiatives

- ⇒ Test & develop new merchandise
  - ⇒ increased focus on differentiated brands
- ⇒ Expansion of in-store events
- ⇒ Continue development of customer relationship marketing
- ⇒ Maintain focus on training & driving customer service

# Planned Investment Program in UK for Fiscal 2012

- ⇒ Upgrade of store portfolio
  - ⇒ new stores and relocations
  - ⇒ increased refurbishment program
  - ⇒ rationalization of weak sites
  - ⇒ evolution of store designs
- ⇒ Infrastructure
  - ⇒ further enhancements of support systems
  - ⇒ continue development of websites

# Signet Capital Investment

	Average Fiscal 2004 - 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Target Fiscal 2012
Capital Expenditure	\$123.6m	\$114.9m	\$43.6m	\$57.5m	\$110m - \$130m
Depreciation & amortization	\$87.8m	\$114.5m	\$108.9m	\$97.8m	

- ⇒ Capital expenditure restricted during downturn
- ⇒ Plan to clear backlog of store remodels in Fiscal 2012
- ⇒ Demanding store site selection criteria
- ⇒ Increase space growth but limited good real estate available
- ⇒ Normalize capital expenditure on systems infrastructure

# Outlook for Fiscal 2012

- ⇒ Focus on further strengthening competitive advantages
- ⇒ Intelligent investment in cost base to drive sales growth
  - ⇒ increased marketing spend planned
  - ⇒ investment in sales associates
  - ⇒ continued development of branded merchandise
- ⇒ Support sales growth with strategic additions to inventory
- ⇒ Increasing target capital expenditure

# Regulation G Disclosures

# Fiscal 2011 Adjusted Earnings

Adjusted earnings in a non-GAAP measure and excludes the Make Whole Payment, a significant, unusual and non-recurring item. Signet considers this to be a useful measure for analysing its results. The impact of the re-calculation of net financial items, income before income taxes, taxes net income and diluted earnings per share excluding the Make Whole Payment, including a reconciliation to the Signet's GAAP results, is analysed below.

	Fiscal 2011	Impact of Make Whole Payment	Fiscal 2011 Adjusted Earnings
	\$million	\$million	\$million
Operating income	372.5	-	372.5
Interest income	0.7	-	0.7
Interest expense	<u>(72.8)</u>	<u>47.5</u>	<u>(25.3)</u>
Income before income taxes	300.4	47.5	347.9
Income taxes	<u>(100.0)</u>	<u>(18.0)</u>	<u>(118.0)</u>
Net income	<u>200.4</u>	<u>29.5</u>	<u>229.9</u>
Diluted earnings per share	<u>\$2.32</u>	<u>\$0.34</u>	<u>\$2.66</u>

# Q4 Fiscal 2011 Adjusted Earnings

Adjusted earnings in a non-GAAP measure and excludes the Make Whole Payment, a significant, unusual and non-recurring item. Signet considers this to be a useful measure for analysing its results. The impact of the re-calculation of net financial items, income before income taxes, taxes net income and diluted earnings per share excluding the Make Whole Payment, including a reconciliation to the Signet's GAAP results, is analysed below.

	Q4 Fiscal 2011	Impact of Make Whole Payment	Q4 Fiscal 2011 Adjusted Earnings
	\$million	\$million	\$million
Operating income	210.5	-	210.5
Interest income	0.1		0.1
Interest expense	<u>(51.0)</u>	<u>47.5</u>	<u>(3.5)</u>
Income before income taxes	159.6	47.5	207.1
Income taxes	<u>(54.2)</u>	<u>(18.0)</u>	<u>(72.2)</u>
Net income	<u>105.4</u>	<u>29.5</u>	<u>134.9</u>
Diluted earnings per share	<u>\$1.21</u>	<u>\$0.34</u>	<u>\$1.55</u>

# Fiscal 2011 Sales

Signet has historically used constant exchange rates to compare period-to-period changes in certain financial data. This is referred to as 'at constant exchange rates' throughout this presentation and constitutes a "non-GAAP financial measure". Signet considers this to be a useful measure for analysing and explaining changes and trends in Signet's results. The impact of the re-calculation of sales at constant exchange rates, including a reconciliation to the Signet's GAAP results, is analysed below.

	Fiscal 2011 as reported	Fiscal 2010 as reported	Change as reported	Impact of exchange rate movement	Fiscal 2010 at constant exchange rates (non-GAAP)	Change at constant exchange rates (non-GAAP)
	\$m	\$m	%	\$m	\$m	%
US	2,744.2	2,540.4	8.0	–	2,540.4	8.0
UK	693.2	733.2	(5.5)	(18.5)	714.7	(3.0)
	<b>3,437.4</b>	<b>3,273.6</b>	<b>5.0</b>	<b>(18.5)</b>	<b>3,255.1</b>	<b>5.6</b>

# Fiscal 2011 Results

Signet has historically used constant exchange rates to compare period-to-period changes in certain financial data. This is referred to as ‘at constant exchange rates’ throughout this presentation and constitutes a “non-GAAP financial measure”. Signet considers this to be a useful measure for analysing and explaining changes and trends in the Signet’s results. The impact of the re-calculation of operating income and income before income taxes at constant exchange rates, and in Fiscal 2011 the Make Whole payment arising from the prepayment of the private placement notes, including a reconciliation to the Signet’s GAAP results, is analysed below.

	Fiscal 2011 as reported	Fiscal 2010 as reported	Change as reported	Fiscal 2011 underlying (non-GAAP)	Underlying change (non- GAAP)	Fiscal 2010 at constant exchange rates (non-GAAP)	Fiscal 2011 underlying change at constant exchange rates (non-GAAP)
	\$m	\$m	%	\$m	%	\$m	%
US	342.7	224.5	52.7	342.7	52.7	224.5	52.7
UK	57.0	56.5	0.9	57.0	0.9	55.1	3.4
Unallocated	(27.2)	(16.5)	64.8	(27.2)	64.8	(16.1)	68.9
<b>Operating income</b>	<b>372.5</b>	<b>264.5</b>	<b>40.8</b>	<b>372.5</b>	<b>40.8</b>	<b>263.5</b>	<b>41.4</b>
<b>Income before income taxes</b>	<b>300.4</b>	<b>230.5</b>	<b>30.3</b>	<b>347.9</b>	<b>50.9</b>	<b>229.5</b>	<b>51.6</b>
<b>Diluted earnings per share</b>	<b>2.32</b>	<b>1.83</b>	<b>26.8</b>	<b>2.66</b>	<b>45.4</b>	<b>1.82</b>	<b>46.2</b>

# Q4 Fiscal 2011 Sales

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	Q4 Fiscal 2011 as reported	Q4 Fiscal 2010 as reported	Change as reported	Impact of exchange rate movement	Q4 Fiscal 2010 at constant exchange rates (non-GAAP)	Change at constant exchange rates (non-GAAP)
	\$m	\$m	%	\$m	\$m	%
US	1,007.0	914.0	10.2	–	914.0	10.2
UK	263.5	282.8	(6.8)	(7.0)	275.8	(4.5)
	<b>1,270.5</b>	<b>1,196.8</b>	<b>6.2</b>	<b>(7.0)</b>	<b>1,189.8</b>	<b>6.8</b>

# Q4 Fiscal 2011 Results

Signet has historically used constant exchange rates to compare period-to-period changes in certain financial data. This is referred to as ‘at constant exchange rates’ throughout this presentation and constitutes a “non-GAAP financial measure”. Signet considers this to be a useful measure for analysing and explaining changes and trends in the Signet’s results. The impact of the re-calculation of operating income and income before income taxes at constant exchange rates, and in Q4 Fiscal 2011 the Make Whole payment arising from the prepayment of the private placement notes, including a reconciliation to the Signet’s GAAP results, is analysed below.

	Q4 Fiscal 2011 as reported	Q4 Fiscal 2010 as reported	Change as reported	Q4 Fiscal 2011 underlying (non-GAAP)	Underlying change (non- GAAP)	Q4 Fiscal 2010 at constant exchange rates (non-GAAP)	Q4 Fiscal 2011 underlying change at constant exchange rates (non-GAAP)
	\$m	\$m	%	\$m	%	\$m	%
US	167.9	121.5	38.2	167.9	38.2	121.5	38.2
UK	55.3	60.4	(8.4)	55.3	(8.4)	59.0	(6.3)
Unallocated	(12.7)	(4.7)	170.2	(12.7)	170.2	(4.6)	176.1
<b>Operating income</b>	<b>210.5</b>	<b>177.2</b>	<b>18.8</b>	<b>210.5</b>	<b>18.8</b>	<b>175.9</b>	<b>19.7</b>
<b>Income before income taxes</b>	<b>159.6</b>	<b>169.7</b>	<b>(6.0)</b>	<b>207.1</b>	<b>22.0</b>	<b>168.4</b>	<b>23.0</b>
<b>Diluted earnings per share</b>	<b>1.21</b>	<b>1.34</b>	<b>(9.7)</b>	<b>1.55</b>	<b>15.7</b>	<b>1.33</b>	<b>16.5</b>

# Free Cash Flow

Free cash flow is a “non-GAAP financial measure” defined as the net cash provided by operating activities less net cash flows used in investing activities. Management considers that this is helpful in understanding how the business generating cash from its operating and investing activities that can be used to meet the financing needs of the business. Free cash flow does not represent the residual cash flow available for discretionary expenditure.

	Fiscal 2011 \$million	Fiscal 2010 \$million
Net cash provided by operating activities	323.9	515.4
Net cash used in investing activities	<u>(55.6)</u>	<u>(43.5)</u>
Free cash flow, including Make Whole Payment	268.3	471.9
Make Whole Payment	<u>47.5</u>	<u>-</u>
Free cash flow, excluding Make Whole Payment	<u>315.8</u>	<u>471.9</u>