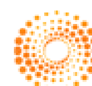
FINAL TRANSCRIPT

Thomson StreetEvents℠

SIG - Signet Jewelers Ltd Investor Day

Event Date/Time: Jun. 15. 2010 / 1:00PM GMT



THOMSON REUTERS

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

CORPORATE PARTICIPANTS

Terry Burman
Signet Jewelers Ltd - CEO

Ron Ristau
Signet Jewelers Ltd - CFO Designate

Mark Light
Signet Jewelers Ltd - President, CEO - US

Ed Hrabak
Signet Jewelers Ltd - SVP, General Merchandising Manager - US

George Murray
Signet Jewelers Ltd - SVP - Marketing - US

Bob Trabucco
Signet Jewelers Ltd - EVP, CFO - US

Bill Montalto
Signet Jewelers Ltd - EVP, COO - US

CONFERENCE CALL PARTICIPANTS

Karen Howland
Barclays Capital - Analyst

Craig Albert
Sheffield Partners - Portfolio Manager

Daniel O'Keefe
Artisan Partners - Portfolio Manager

William Maffie
Adage Capital Management - Analyst

William Armstrong
CL King & Associates - Analyst

Rick Patel
Bank of America Merrill Lynch - Analyst

Valerie Brown
AllianceBernstein - Analyst

Matthew McClintock
Barclays Capital - Analyst

David Wu
Telsey Advisory Group - Analyst

PRESENTATION

Terry Burman - *Signet Jewelers Ltd - CEO*

Good morning. Nice to see all of you here in Akron. And welcome to Sterling, the US division of Signet. I'm Terry Burman, Signet's Chief Executive, and it's a pleasure to have all of you with us to review our US operations today.

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Before we start, I'd like to ask all of you to ensure your mobile phones and your BlackBerries, iPhones, all these handheld devices are switched off, as they can interfere with our audiovisual equipment. I'd also like to mention that this morning's presentations are being webcast through the Signet website.

During today's presentation 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 risk and other factors and cautionary language in the Annual Report on Form 10-K that was filed with the SEC in March, 2010. We also draw your attention to this slide. I said that with enthusiasm. We're not making any trading update today, and as with our first quarter results, we'll not be commenting on trading over Mother's Day or in the second quarter to date.

As we've seen in recent years, trading in the first three quarters is not a guide to that in the fourth quarter, good or bad, therefore we don't believe that it's helpful to comment on short trading periods. The exception is the first seven weeks of the year, which we give details at the time of our full year results, as it covers the second most important period of the year, Valentine's Day.

Internally we focus on preparing for the holiday season for the majority of this year. How we execute on that is a more important guide to our relative performance in the fourth quarter than the sales figures for a particular event or month. Tim wrote this so that we'd have excuses not to talk about -- we're just not talking, Tim.

Today you'll get an opportunity to see the disciplined way we go about the process of preparing for the holiday season that actually is true and as we tell our store managers, start preparing for Christmas January 1st. It's not something you can prepare for at the last minute.

Before our first presentation by Sterling's management, I'll briefly review the Group and the UK division, and Ron Ristau, our CFO Designate will say a few words. Our first speaker from Sterling will be Mark Light, our President and Chief Executive Officer of our US Division.

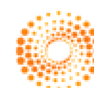
Mark's whole career has been at Sterling. He started as a part-time sales associate in 1978, he became US Chief Executive in January, 2006. Mark will introduce the other speakers at the start of his presentation, give more details about the day's program. There'll be time after each speaker for you to ask questions, and we'll be pleased to take your corporate or general questions over lunch.

After lunch there's either a tour of the home office or additional presentations, then we'll travel to Cleveland for the store tours. For the home office and store tours you'll be split into groups, as indicated on your badge. You can see these have been put together in part, depending on whether you're going to the airport or returning here for dinner this evening.

For those that have time, there's an opportunity at the end of the day to experience firsthand the skill and knowledge, and enthusiasm of our store staff. Unfortunately, for those of you heading straight for the airport, you may not have the time to do some shopping. But for those of you who are tempted, we're pleased to offer you a 25% courtesy discount on any merchandise purchases.

As a start to the day, I'd like to briefly outline some fundamental Signet operating principles that underpin everything that you will hear and see today. First, we believe we can always improve every aspect of our business, and we continually strive to do so. We hold ourselves and each other accountable to high standards and excellence in execution.

To achieve this, we believe it's important to have a narrow and deep focus. We don't want to get distracted by spreading ourselves over too many formats. We test before we invest, and we don't want to waste resources, either human or financial, by acting on a hunch.



THOMSON REUTERS

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

We want to make sure that we understand the impact of an initiative, and that we can achieve an appropriate return before we put significant resources behind that initiative. However, if we see an idea that's working, we'll quickly implement it, and with confidence.

We also have a demanding investment hurdle, 20% internal rate of return over five years on a pre-tax basis. We aim to maintain a strong balance sheet and financial flexibility, especially in uncertain economic times. We closely monitor and measure what we're doing and manage risk appropriately. This involves strict financial discipline, and focus on return on investment.

The first quarter saw us build on the good progress we made last year in executing the strategy that we set out in March, 2009. We have reduced business risk, and continue to leverage our sustainable competitive advantages to drive profitable market share gains and improved operating margin through greater store productivity, rather than adding space.

We have also enhanced an already strong balance sheet, ensuring financial flexibility, which is a major advantage in this sector. As always, we remain focused on profit maximization, and in the current environment especially focused on cash flow. We came into the downturn as the leader in the mid-market jewelry sector, and our objective was to increase our competitive advantages and our market share during these challenging times.

We believe that we're well positioned to benefit from the economic recovery, and we aim to gain profitable market share through our existing store base. This will boost our store productivity and achieve operating leverage. We're already willing and able to invest in new store space that satisfies both our financial and our operational criteria. We would consider making acquisitions in North America where the business meets our demanding operating and investment criteria.

So that's an important qualifier, the business has to meet our return criteria. We consider other investment opportunities as and when they arise. The board will consider shareholder distributions next February. And that will be after Christmas, obviously, in light of our performance, the repayment offer of the private placement notes, and economic conditions and growth opportunities.

Now I'd like to -- we'll be talking about the US today, but I'd like to take a quick look at our UK business. In the UK, just to summarize, we operate the top two jewelry retail brands. H.Samuel represents about 12% of Signet's sales. It's located in almost every medium and large retail center, with the typical net store size of about 1,100 square feet.

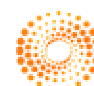
It targets the middle market customer with a household income between 15,000 and 40,000 pounds. To help you position the brand, its watch selection is Seiko, Citizen, and fashion brands such DKNY, Fossil, and Police. Ernest Jones accounts for about 10% of Signet's sales. It's the second largest jewelry chain in the UK, represented in most large retail centers, with an average net store size of approximately 900 square feet.

It targets the upper middle market customer with a household income of approximately 30,000 to 50,000 pounds. The watch brands go from the top of the H.Samuel range up to Rolex and other prestigious watch brands, such as Breitling, TAG Heuer, and Omega. It also has a fashion watch component, such as Armani, Gucci, Christian Dior.

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

As part of this repositioning, H.Samuel has been targeted on larger centers, where consumers are increasingly shopping, and we've been closing stores in smaller centers as leases end. It's the only specialty jeweler in the UK to use national TV advertising, and we have the most visited website in the sector. And we've been selling online at H.Samuel since 2005.

Ernest Jones is the leading diamond and watch specialist in the UK, with both segments accounting for over a third of sales. We have a higher transaction value in Ernest Jones than in H.Samuel, and Ernest Jones has the highest per square foot sales of



THOMSON REUTERS

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

any of our Signet brands. We also have the second most visited UK jewelry website in Ernest Jones, which has been transactional since 2006.

The UK market size is 4.7 billion pounds, while per-capita spend on jewelry is about half that of the US. The industry has grown over the last 27 years at around 5% per annum. It's similar over that period to the US market. However, over the last five years, the UK market has been little changed, with three down years and two up years.

I caution that UK statistics are influenced far more than the US market by the very high end international jewelry market in which we do not compete. Signet has an 11% market share in the UK, which is over 70% larger than the number two specialty operator, and compares to Signet's total jewelry share of just over 4% in the US.

As in the US, we have an industry leading performance. Over the last five years, the profitability of Signet UK has been well above the average for middle market jewelers. We have as many stores as next five largest operators combined, and clear leadership in a fragmented market of just over 7,000 stores in total.

Our out-performance of the UK market is based on a strong management team and sustainable competitive advantages in the basic retail disciplines. We have the leading staff training and development program in the sector, and we were recently recognized as one of the top ten employers in the UK. The business has significant supply chain and merchandise advantages based on its scale.

To put this into context, the UK business is larger than any US mid-market jeweler, apart from Sterling and Zales. The ability to use customer relationship marketing, utilizing a database of 14 million names and the two most visited jewelry websites are significant advantages. In the UK shoppers are increasingly using regional centers rather than traditional High Street stores, and our share is greater in these centers.

Finally, the UK management can share best practices where appropriate with the US division, for example in store design or displays, merchandise programs, and some of our exclusive merchandise programs in the US.

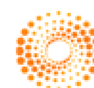
In the UK we intend to maintain our leading operating standards by continually improving our execution. We continue to enhance selling skills and productivity of our staff, introduce more targeted and differentiated merchandise, dive footfall through customer relationship marketing, and optimize our real estate by focusing on the major retail centers.

Given our excellent geographic coverage, growth in the UK is about increasing store productivity. In the UK, our average operating margin for fiscal 2001 to fiscal 2005 was 13.8%, compared to 7.7% last year. Similarly, return on capital employed averaged 43.1%, but was only 20.1% last year, only 20.1%, sounds pretty good to me.

To recover to these levels, the 43% and the almost 14% operating margins however, it's going to be necessary for the UK economy to recover. We're not expecting much, if any, growth to occur this year in the UK. The UK economy fell less sharply than in the US, but it is also recovering more slowly.

There was uncertainty surrounding the general election and the change of government in May, and that's continued, and will continue we believe until the budget report on June 22nd. This is likely to see -- the budget is likely to see cuts in government expenditure and higher taxes announced.

In addition, there's been significant pressure on merchandise margins, reflecting pounds sterling weakness, the continued rise in the cost of gold and the VAT increase at the start of the year. Therefore we have twice increased prices to largely mitigate these factors.



THOMSON REUTERS

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

However, against this difficult background, the first quarter's same store sales fell just slightly 0.2%, and gross merchandise margin was 90 basis points lower than the prior year. Costs continue to be tightly controlled, and the seasonal operating loss was virtually the same as last year at $1.4 million.

Although the UK market has been challenging in recent years, and the outlook is uncertain, the UK division is the clear market leader in scale and operating metrics. With its 20% return on capital last year, it was strongly cash generative. It's run by an independent management team, therefore it doesn't distract any of the US executives. The operating income exposure to foreign exchange movements is limited at $200,000 for each $0.01 change.

The business has high operational leverage, and has the potential over time to return to historic operating margins when the economy returns to sustainable growth. So I know I said you'd have time for questions after each presenter, but we are planning on taking general or corporate questions as we finish lunch. So I'd now like to introduce Ron Ristau, our CFO Designate. Ron joined us in April, and will take over from Walker Boyd when Walker retires later this month. Ron...

Ron Ristau - *Signet Jewelers Ltd - CFO Designate*

Thank you, Terry. Good morning, everybody. Again, I'm Ron Ristau. And I'm privileged to become the new CFO of Signet Jewelers on June 25, after Walker Boyd retires. Before I continue, I would like to acknowledge the contribution of Walker during his 18 year career here, and thank him for his support during the transition period, and also thank everyone in management for their warm welcome.

I, like you today, have been engaged in an on-boarding process designed to provide insight into the Signet operations in the US and the UK. I thought this morning it would be most useful if I share some of my initial impressions, recap briefly some key financial strengths, and briefly lay out my starting priorities.

Since I joined the Company in mid-April, I've spent the last eight weeks engaged in the detailed review of the US and UK operations. I've met the executive teams of both businesses and at the Group level. And the depth and experience of the management teams often cited as a strength will become more apparent to you as you go through the day, as it has for me since I joined.

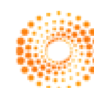
The jewelry business is a unique retail model, and is approached here with unique customer focus, and a commitment to store staff training and development, marketing and product development, all focused on a winning customer experience.

In the credit card receivables, a disciplined and tightly controlled function is evident. In our process we intelligently support sales with appropriate credit levels, while maintaining our focus on effective collection, and responsiveness to business conditions. The process is established based upon a study of our unique customers, and is therefore very successful.

In inventory and asset management, there's a strong focus on return on investment, GMROI, careful analysis of consumer demand, and responsive distribution system, which enables consistent improvement in the management of inventory and other assets, as evidenced by the efficiencies achieved in fiscal 2010, and year to date through 2011.

And importantly as the new CFO, all aspects of operations are supported by strong financial controls, and a tone at the top of always doing the right thing to control risk and support the business. The last several years have been challenging, no surprises. The Company, however, has proven that it can successfully navigate the environment we face by discipline, focusing on core competencies and strategic advantages, and prudent asset management.

The $471.9 million in free cash flow in fiscal 2010, which virtually eliminated a net debt position, and continuing first quarter performance with same store sales up 5.8%, EPS up 93.5% on a fully diluted basis, and with free cash flow now expected to be at the high end of the annual range of $150 million to $200 million, the facts support these assertions.



THOMSON REUTERS

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

The disciplined 20% hurdle rates for new investment in real estate, and careful application of investment criteria to maintenance and IT infrastructure ensure that shareholder capital is effectively deployed, and operations remain well supported.

And the strong balance sheet provides financial strength, and gives us the flexibility to move into the market as our management sees opportunity, and the ability to capture new customers, a major advantage versus those who are financially constrained.

There is sufficient opportunity for upside earnings and increases in cash flow via improved leverage, as we execute against the planned improvement in store productivity and control expenses, even as the real estate market is slower to recover.

I thought I would lay out some of my key starting objectives, first and foremost I intend to ensure that there is a smooth transition in the CFO role. The business processes here are strong and well defined. Therefore, execution of the Company's well defined strategy and leveraging of strategic strengths remain a priority.

As you may know, we'll be carefully transferring selective group financial functions to Akron from the UK, and hiring the necessary world class talent to support our future growth. This transition will be done effectively, and carried out with no impact to operations.

Given the Company's success and net cash position, which is growing, we'll be involved in supporting the management and Board as we study and establish the future financial structure, and importantly, the maintenance and management of the successful navigation of the current retail environment, and a continuous evaluation of growth and profit enhancing opportunities will remain a continuing priority.

So I look forward to meeting with each of you throughout the day. Please feel free to ask me any questions you may have, and thank you for your interest in Signet. Now I'd like to introduce Mark Light, the President and CEO of Sterling Jewelers. Thank you.

Mark Light - *Signet Jewelers Ltd - President, CEO - US*

Thanks, Ron. Good morning. How are you all? Welcome to lovely Akron, Ohio. I'm really pleased to have you here to meet our people and discover for yourself what we call the Sterling difference. That difference is based on the people all throughout our organization, and that culture has been built over the last 20 plus years here at Sterling.

This Sterling difference is made by everyone throughout the entire organization, in our home office and in our stores. The organization chart you see shows our executive committee, with those presenting today shown in green. Most of the others will be available over the course of the day. A more complete organization chart shows the areas of responsibility is included in your information packs. The biographies of today's presenters are also included in your packs.

I would like to run through the rest of today's program, which I will start with an overview of our US business, and an update on our store operations, before handing it over to Ed Hrabak. Ed will discuss our strategies and tactics in merchandising. Ed joined Sterling in 1987, and also began his career in jewelry as a sales associate with J.B. Robinson.

After coffee, George Murray will discuss our marketing programs. George joined Sterling in 1992 with a background in consumer package goods, and the strict statistical based marketing discipline that that brings to us.

Bob Trabucco will bring you up to date on credit. Bob joined us in 2003 with extensive experience in retail, financial, and operations management. And Bill Montalto will end the morning with a view of our systems, and how they set us apart. Bill joined Sterling in 1986 from Coopers & Lybrand Consulting, with a wide experience of retail management information systems.

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

I would like to point out that the average tenures those people presenting today from Sterling is over 20 years. There will be time after each speaker for you to ask questions. We'll then break for lunch before embarking on either tours of the home office, or the additional presentations as you selected.

We will leave for the stores at 2.30. And for the tours you will be split into two groups, as indicated on your schedule and badges. These have been put together in part depending on whether you are going to the airport or returning to Akron for dinner this evening. Okay. One of the key tools that helps Sterling define our culture is our mission statement, a copy of which is in the pack of materials that we were given this morning.

Our mission has three critical platforms. One is how we earn the trust of our customers; two is the manner in which we treat each other; and three, to achieve a level of return on assets that will motivate investors and lenders to provide capital to expand our company, increase our market share, and further improve our profitability, and to continuously improve in everything that we do.

A key aspect of our mission statement is our customer first philosophy. This underpins everything that we do here in the home office, and in our stores, and online. It means that every team member is expected to think about the customer first. For example, if the team member may be in our IT department is developing a new program, we expect them to first put their selves in the customer's perspective as it relates to that program, and to always think about how he or she would react if they were the customer dealing with that program.

We believe that Sterling has built sustainable competitive advantages in each of the retail basic disciplines, underpinned by sector leading controls and information systems. We have done this by a very experienced and stable management team consistently executing a clear strategy.

We target the middle market, with an average household income for our mall customer of about $67,000, and $92,000 for Jared. In fiscal 2010 the average price of an item sold in the malls was around $312, and in Jared was around $710, which excludes the charm bracelet program in Jared's. Between 45% and 50% of our sales are in the year round bridal and anniversary category.

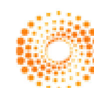
The other major drivers of revenue is gift giving, specifically at Christmas, Valentine's Day, and Mother's Day. Some 75% of our merchandise sales are diamond jewelry. We also have a diversified real estate portfolio. We want to be where the customer is shopping, and we have about 43% of our space which is off mall.

Proprietary research that we have carried out has shown that the downturn has not changed our customers' view of jewelry as a meaningful symbol of romance, appreciation, and commitment in connection with bridal or gift giving occasions, and self-reward remains an important reason for purchases.

History has shown that jewelry expenditure grows in line with income. As a category, jewelry is relatively priced inelastic, with consumers typically having a budget for jewelry rather than being responsive to a short-term fluctuation in price. This is reinforced by a wide range of price points and infrequent purchases.

Now let's take a look at the US jewelry market. At just under $60 billion, it includes about 40% of the world diamond sales, and has shown long-term growth over the last 29 years of almost 5% a year. Over the last two years, during the worst economic crisis in over 80 years, the industry saw a sales decline of about 4.5%. However, I do have to express some skepticism about the government statistics.

The chart splits out specialty sales in red. Restated estimates were published by the US Census Bureau last week, which increased the specialty share shown in red to 48% from 46.2%, and reduced non-specialty shares shown in blue to 47.4% from 49.3%. Internet sales for the last six years are shown in green, and were estimated to be around 4.6% last year.



©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

I'm sorry, this slide may be hard to read on the screen, but I wanted to provide a detailed picture of the general retailers that sell jewelry, and their positioning and their sales. Discounters estimated to have about 11% share, they offer little service, and typically offer low end merchandise, with very minimal bridal sales.

Department stores have an estimated 10% share, they give some customer service, have fashion and watch jewelry participation, but again offer limited bridal sales. Other major retailers account for 5%, and again have little bridal and little service. The balance of the 21% is made up of a wide range of formats. Each would sell some items, mostly low end fashion jewelry, and really have no bridal jewelry whatsoever, such as apparel retailers.

Jewelry is a very personal category, and diamonds are not homogenous. So the category is not really well suited to selling online. Internet sales are therefore mostly high value certified stones, or low value fashion jewelry. Internet sales are estimated to account for around 5% of sales. The only significant pure player is Blue Nile, with US sales of around $270 million. Amazon's jewelry sales are estimated to be around $225 million, although this may be on the low side.

The balance of most of these sales are through websites of established non-specialty or specialty retailers, such as JC Penney, Zales, and of course our brands. The major impact has been on pricing transparency in certified stones, rather than on volume.

In 2009 the specialty market was worth $28.3 billion, of which Sterling had 9.1% share. The mid-market is estimated to account for around $23 billion, of this Sterling had an 11% share. The estimated average selling price is $350, compared to $324 for Sterling, which includes our charm bracelets.

About half the specialty market is accounted for by the bridal segment, with a typical average selling price of an engagement ring being about $3,200. The bridal category consists of engagement, bridal, and anniversary jewelry. Again, this slide has been updated with the latest government statistics. And all the information from the larger specialty retail jewelry firms is based on SEC filings.

Sterling is nearly twice the size of the number two operator, but has a share of just over 9%, much less than the market leader in most other specialty retail categories. The number four and five operators, that is Berkshire Hathaway and Kroger, are not shown as they do not file jewelry sales figures. However, Berkshire Hathaway does provide some details on Helzberg, Ben Bridge, and Borsheim's.

In 2009 these businesses saw a 12% decline in sales, and Helzberg and Ben Bridge combined reported a pre-tax loss. We would estimate that Berkshire Hathaway has about a 2.5% market share, and Kroger trading as Fred Meyer has about 1.5%.

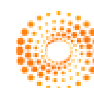
The next special -- largest specialty operator is Blue Nile, with a 1% share. The other mid-market specialty jewelers that had more than a 1% share have all liquidated over the last two years. As well as liquidations, there have been significant store closures, with Zales and Gordons reducing their US store base by about 14%.

Sterling space over the last two years has increased by 3%. This pattern was repeated among the smaller chains and independents that accounted for about 21,500 specialty jewelry stores at the end of 2008, a 14% decrease over the five years shown. There's minimal data for the smaller chains and independent operators. But we believe they also showed a significant decline indoors. Some examples are given on this slide.

In 2010 this trend in store closures is continuing, but is expected to be at a slower pace than in the last two years. In total it is estimated that specialty store base has decreased by about 12% since the start of 2008. The decline in the stores has been particularly marked in the middle market sector.

If you look at the returns being made by many within our sector, it is clear why this space rationalization has happened, and is likely to continue. In addition, many within the industry are financially constrained. Our superior returns are driven by high store

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

productivity, which were achieved over time. The key to this is our greatest single competitive advantage, our store team members. Our store people make the Sterling difference.

The specialty jewelry sector is unusual in that the customer service remains central at all times. Every piece is under lock and key, and therefore reacts -- requires, excuse me -- interaction between the customer and a member of our sales team. The consumer also usually requires to be educated about our products, particularly as every diamond is unique. We therefore have the opportunity to explain the competitive advantages of our products. Their interaction with the customer also provides the opportunity to sell up, and to make add-on sales.

We have clear and measurable expectation of each team member's performance, which are communicated to them daily. We provide consistent training and feedback on their performance to help them exceed those standards. We have in place a monitoring mechanism which provides daily reports to each team member on their progress. We also provide excellent incentives to succeed, both as individuals and as store team members.

In addition, we have an extremely strong culture of promotion from within, and provide very good career path opportunities. As a result, we have an above average retention for the retail sector, which reinforces the quality of our field operations, and also adds to our competitive advantage.

All of our store staff have daily standards for controllable -- the controlled aspects of their jobs, such as sales, new credit accounts, and add-on transactions. Individual standards are integrated into our divisional goals. Our people know each day how we plan to meet our sales objectives, based on each individual's performance at a store by store level.

We also provide overnight reports to each team member as to how they and their colleagues have performed. These reports are copied to the store and to the district manager so they can provide additional training and support where required. We also measure customer feedback on how each store performs across a range of measures. And these are reported to each store on a monthly basis.

Each store sees how they perform against others in the same area, region, and/or division. This also identifies opportunities for training and development. This all requires great systems support for our store teams so they can get timely, accurate, and relevant information.

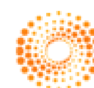
We have strong team incentives which means, we typically pay the best in the sector. Historically 20% to 25% of field payroll is performance based. Sales associates receive commission based on their sales, but the rate of their commission is dependent of the overall sales of the store, to encourage teamwork.

While managers also receive the commission, their major bonus opportunity is based on the profitability of their individual store. Therefore they receive monthly store operating statements, and are trained to be profit business managers. Again, you'll see more of this this afternoon on the store tours.

We have a system called the Sterling Performance Matrix, which is a store execution management system, which we believe provides the best store support within the specialty jewelry sector. You will hear more about this from Bill Montalto this morning, and see aspects of it demonstrated in the stores this afternoon.

There's a 360 degree communication system that enables efficient dialog between the store, field management, and the home office. It's used to organize and schedule tasks for each individual on a store by store basis. It tracks each team member's key performance indicators, and reports them to the relevant people on a daily basis.

It always provides targeted training tasks that are tailored to the needs of each team member. As a result, it improves executional effectiveness, greater process monitoring, and compliance while enabling management by execution, or by exception. Bill will talk more about this just after lunch, or just before lunch.



THOMSON REUTERS

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

We believe that our supply chain is the most efficient and flexible in the sector, which means we can provide great all around value to our customers. Value, rather than the lowest price, is most important in the jewelry business. Our merchandising systems enables store by store merchandising, so store staff have merchandise that is tailored to the customer's buying patterns.

Our superior systems also allow us to test new product so that we provide inventory that has the highest probability of selling. Over the last two years we have been demonstrated -- we have demonstrated our ability to develop differentiated ranges that helps us to stand out in the mall, and provides our store staff unique product that sells well. Ed and his team will give more depth to these themes later today.

In marketing we have the leading share voice and great execution, important in the sector where the most merchandise is unbranded. Our scale is to effectively use national television advertising together with ads that provide both an emotional and rational reason to shop with us, means we have built strong store brand awareness.

We're now using that base to also drive consumer awareness of our differentiated product. We have for many years also employed sophisticated customer relationship marketing techniques, and more recently have built the sector leading integrated brick and click capability. This all combines to drive customers to our stores, where our store teams can make the sale. George Murray will expand on this after coffee.

Store teams are also supported by our in-house credit program, tailored to our customer needs. Authorizations and collection systems are built on our customer data, and are designed to enable purchase of jewelry, not to maximize lending. We want customers to pay down their outstanding balances as quickly as possible, so that they can buy more jewelry. Excuse me. Also, it's executed to our very high customer service standards, rather than those of a typical bank. Bob will cover this towards the end of the morning.

Now, turning to the future. We believe that we can return to our historic operating margins, and return on capital employed. To achieve this, we need to rebuild store productivity, and to reduce net bad debt levels. Our average operating margin for fiscal 2001 to fiscal 2007 was at 13.1%, with net bad debt to sales of 3%. Last year our operating margin was 9.2%, with net bad debt of 5.6% of sales. Similarly, return on capital employed averaged 21.7%, but was only at 11.1% last year.

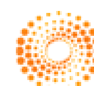
A key driver of these lower returns has been the decline in store productivity, which is down about 15% in Kay, and by about 25% in Jared and the regional brands. This reflected the decline in average selling price, as the consumer over the last couple of years traded down, and a decline in transactions.

There's evidence over the last two quarters that we have begun to build our returns. Total revenues were up 6.8%, and comp sales were up 7.2% in the first quarter. Gross merchandise margin was up 90 basis points, though for the year we are expecting for it to be broadly similar to last year, depending on what happens to commodity costs and pricing over the remainder of the year.

Accounts receivable metrics all showed improvement, with net bad debt sales down by 120 basis points. Controllable expenses were slightly down, with some wraparound from last year's $100 million cost savings program. Overall, operating margin was up 470 basis points. Our operating profit was up 61.5% to over $90 million. However, the outlook remains uncertain, and further improvements are not guaranteed.

In terms of sensitivity, we typically require low single digit comp growth to leverage expenses, with 40% profitability of marginal sales against our plan. Therefore sales growth will be the key to determining our performance.

There is potential for recovery in specialty jewelry sales, with Kay 2009 sales down nearly 10% from the 2007 peak. Any recovery will be driven by macro factors, where the outlook still remains unclear. In contrast, we can continue to see market share opportunities as a result of capacity withdrawal, and many competitors being operationally weakened, and/or financially constrained.



THOMSON REUTERS

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

Short-term we see limited potential for space growth, although we've begun to sign some new leases. We are willing to be -- and able to resume space growth if suitable opportunities meet our demanding operating and financial criteria. While we are starting to have greater confidence in our sales models used for investment appraisals, there's a scarcity of available high quality real estate, and very few new developments being started.

(technical difficulty) we continue to apply our demanding return on investment and operating criteria. And this means that there are very few targets we would consider. Our strictly applied requirements for all investment opportunities here and in the UK are pre-tax IRR of 20% over five years on a discounted cash flow basis, along with a number of demanding operational criteria also.

Looking at space growth opportunities in more detail, in the long-term we see the opportunity to grow Kay by about 400 stores, and Jared by about 120 stores. This is equivalent to about a 50% increase in space, as each Jared store is equivalent to just over four mall stores in size. However, a good portion of the opportunity for both formats is in new centers rather than established malls.

Therefore, given the current lack of real estate development, we would not anticipate any significant new space in fiscal 2011 or fiscal 2012. Given the continued closure of regional stores, this is likely to result in a space reduction of about 2% this year. Impact of closure on sales will be minimized, as nearly all are in malls where there is also a Kay store, which markets to the customer of the closed store.

In summary, our growth potential is built on increasing leverage of our competitive advantages, which include a greater ability to recruit and retain the best sales associate, and field and management teams; our strong balance sheet, which allows us to focus on improving our operations; the consistency of strategy and leadership; our ability to continually improve execution; and our market leadership in scale and implementation. I'm now happy to take any questions. Yes ma'am.

QUESTIONS AND ANSWERS

Karen Howland - *Barclays Capital - Analyst*

What sort of assumptions are -- thanks. You talk about still requiring a 20% IRI pre-tax as far as your real estate. What sort of assumptions are you actually making for your five year DCF, given the uncertainty that we see in the market right now, and obviously the volatility that we've seen in the consumer environment in the past year. I mean are they so overwhelmingly conservative, or what are you using as far as your base case for that?

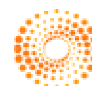
Mark Light - *Signet Jewelers Ltd - President, CEO - US*

Well we -- thank you. We've developed a regression analysis that gives us a model to determine sales really. It's about sales forecasting of our stores and our margins and our bad debt. And that regression analysis has been developed over the last ten years of dissecting and understanding our previous performance of similar malls.

Now in that past -- those previous years, there were ups and downs in the economy, nothing to the extremes that we experienced last year. So we've taken those previous models, discounted them relative to what you've seen the last couple of years. And once we see yourself getting out of those more difficult times, we'll remove the discount.

So is it impossible to get our returns and see any new stores? No, it's not impossible. It does make it more difficult for some malls that may not be as strong. For example, if there's an opportunity we have in what we call an A mall, with an A plus location and it has reasonable rents, the models can work. But you have to have all those operational criterias be accepted before it will

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

work. As I said, Karen? Karen, once we see ourselves getting out of this type of recession, we'll remove some of those discounts off of our models.

Craig Albert - *Sheffield Partners - Portfolio Manager*

Hi, thank you. It looks like -- excuse me, like in the United States that about 90% of the sales decline over the last two years has come in the regionals, if you just sort of net all the three different concepts together. And I'm curious, how much of the sales decline in the regionals do you think you've been able to port over to the Kay stores?

Mark Light - *Signet Jewelers Ltd - President, CEO - US*

I haven't done the math, but 90% sounds awfully high to me. I mean if you look at quite frankly, our Jared performance the last two years has been very challenging, being in the luxury category. So I haven't done the math, but 90% sounds high. If you did the math --

---

Craig Albert - *Sheffield Partners - Portfolio Manager*

I've done it.

Mark Light - *Signet Jewelers Ltd - President, CEO - US*

It's 90% of our total sales decline. So your question was -- I'm sorry. The question, could you repeat it?

Craig Albert - *Sheffield Partners - Portfolio Manager*

Yes. The question is -- put aside Jared, I guess, for a second. Of the sales decline in the regionals, how much of that business do you think you've been able to port over to the Kay malls that are located in the same stores, such that --

---

Mark Light - *Signet Jewelers Ltd - President, CEO - US*

We don't share exactly that information. But what I will share with you is that when we have a store, a regional brand in a mall where there is a Kay, which a majority of those closures there are, we have a whole process in place where we take the accounts receivable, we take the customer base, we take the employees that are in that team, and we move a lot of them, depending on their productivity, into that Kay store.

So there's a good portion that we are able to bring over to the Kay store. You'll never get 100%, it's just there's other options in the mall. But we do work it, and we have a process in place where we get a good portion of that.

Craig Albert - *Sheffield Partners - Portfolio Manager*

And just as a follow-up, given the substantial decline in the regional store base over the last several years, what do you see as the outlook? I know you've given your 2010, or fiscal 2011 forecast, but the future of the regional business generally?

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Mark Light - *Signet Jewelers Ltd - President, CEO - US*

Well as we've stated that the opportunity for the regionals to become a second national brand will take a nice acquisition, and our criteria for acquisition is very specific that we get the returns that we're looking for. I know you're repeating what you've heard. But I've got returns that we're looking for, and also have the appropriate real estate that matches what we're looking for.

So, if we don't have that opportunity, each store, we'll look at the individual returns of that store and if we're getting those returns on an opportunistic basis. A lot of these stores can survive on the mall traffic and good store teams, and the advertising that we do do. We do do Internet advertising, we do have catalog and printed advertising. So I see the stores declining -- the count of stores declining, but there will still be some in the future that do make a nice return on investment.

Craig Albert - *Sheffield Partners - Portfolio Manager*

Thank you.

Mark Light - *Signet Jewelers Ltd - President, CEO - US*

You're welcome. Yes, sir. Okay, we're going to take Daniel first.

Daniel O'Keefe - *Artisan Partners - Portfolio Manager*

It seems a little counterintuitive to me that with all the capacity reductions that you've seen in the industry here, that there are more opportunities for you guys to take over some of that space, or to increase your store footprint. And you've said that there's a lack of quality real estate. Could you talk a little bit about that, and why you're not able to expand space more? Is it because it's all just junky sites that have closed down? Is that basically it?

Mark Light - *Signet Jewelers Ltd - President, CEO - US*

That's a very fair question. I think a lot of us, a lot of people that are outside the real estate industry would say well there's a lot of stores closing down, why isn't there just opportunities coming left and right? But with our strict criteria, Dan, we want center-court corners in the malls. We expect to get center court corners. And with Jared we want to be on a main-to-main.

We have a minimum criteria as it relates to traffic count and access and visibility. Those sites, those locations are not the ones that are closing down, for good reason. Because they have good real estate, they're doing more business. So those sites are not, and there's not a lot of those opportunities. When those opportunities come around, trust me, we hear about them, we are on top of it.

But those are not the sites. You're offered secondary locations, you're offers -- where a secondary jeweler was in the mall and not performing, or you're offered a secondary restaurant location for a Jared. But we just won't settle, and it's really more than that quality of real estate that's available out there.

Daniel O'Keefe - *Artisan Partners - Portfolio Manager*

And how do you think over the next many years, how do you think about the risk that there's significant -- generally there's significant mall overcapacity in this country? And maybe some of that needs to come out, and how does that impact you as primarily a mall operator?

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Mark Light - *Signet Jewelers Ltd - President, CEO - US*

Well we're -- just one thing. 43% of our space is outside the mall.

Daniel O'Keefe - *Artisan Partners - Portfolio Manager*

Okay, a substantial mall operator.

Mark Light - *Signet Jewelers Ltd - President, CEO - US*

It's majority but it's not primarily. What we're seeing in the mall, Daniel, is truly a polarization of the good malls and the bad malls. And what's happening is the good malls seem to be getting better, and the developers are investing in those good malls. And there's a lot of them out there, and it's not just the big malls, whether it be the Tyson's Corner or the Fashion Show in Las Vegas.

It's malls like right here across the street, which is Summit Mall, which Simon Properties Group reinvested in and put a new whole front and a lifestyle center in front of it, and they added new tenants in it. So we see the malls polarizing. And each store that we get involved in in the mall, we do our models.

And we're focused on those good malls that we see that kind of reinvention of itself. So we see that the malls are -- if they're a good mall they're going to be vibrant, and they're going to be able to continue to grow going forward.

Now the bad malls you've got to watch, and there are obviously some bad malls. And we watch the performance, and we don't do long-term renewals, and we watch the occupancy levels in those malls and the investment by --.

Daniel O'Keefe - *Artisan Partners - Portfolio Manager*

How much of your business is in the bad malls versus the good?

Mark Light - *Signet Jewelers Ltd - President, CEO - US*

We don't -- honestly we don't share those breakdowns. But the majority of our business is done in the good malls. And the bad malls we watch on a short list, and on an annual basis we watch them very closely, just to make sure we're getting the returns we're looking for.

Daniel O'Keefe - *Artisan Partners - Portfolio Manager*

Thank you.

Mark Light - *Signet Jewelers Ltd - President, CEO - US*

You're welcome. Back there, he was -- was that -- all right, Bill.

William Maffie - *Adage Capital Management - Analyst*

Sell my spot, if anyone wants it. Can you just go through the criteria for closing the store? Is it related obviously to the lease? And second question is when somebody else closes, can you measure the impact on your store? Is there a criteria within two

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

miles, five miles, and what do you see in terms of sales? Then a final question, sorry to bombard you, why such a high hurdle rate for acquisitions? I think you addressed it with respect to new stores, but seems like an awfully -- a rate that investors would accept a much lower rate.

Mark Light - *Signet Jewelers Ltd - President, CEO - US*

The first answer to the question is we close stores on lease expiration, and that when a lease comes to the expiration term we look at the store, we analyze the mall, we analyze the store's performance, we analyze the occupancy of the mall, and we do our own pro forma. And if the store and the mall we don't believe has an opportunity to get the returns we're looking for, we close the store.

And as you can imagine over 2008 and '09, stores that would have made -- maybe have gotten a one year renewal in '07 and earlier, in '08 and '09 those stores deteriorated more, our co-tenancy in the retail environment closed down. So it's really exploration and relative to that store's performance. I remember the third question, I'm trying to remember the second question. It's very difficult to measure.

Can we measure the benefit of closed retail jeweler competitors around us, and it's very difficult to measure. What we do is we focus on our business, we focus on making sure we take good care of the customers in the best way possible. And we believe we're getting market share gain, but it's very difficult to gain on a store by store basis, the uplift. There's a lot of variables, a lot depends.

And it could be a 2 million square foot mall, one jeweler that could be across the mall won't even make a difference. There's a lot of variables involved. But overall we believe we're getting a market share gain relative to store closures in the industry.

The third question is we believe the 20% internal rate of return that we're looking for -- I understand your point that it's high. But that covers a lot of variables out there, in that it gives us some head room. Because as good as projections and regression analysis and estimates are, they're never exact.

And we believe by having that tight rate of return, it gives us some head room in case there's variables in what happens in the sales mind. And it serves us very well, and it has served us very well over the last 15, 20 years.

And we believe it will serve us well going forward, that we're going to be able to make good investments, and it puts good parameters around our team to make sure that we have good thoughtful analytical perspective as it relates to our pro formas. So we believe it gives us a good call it (inaudible) on our projections.

William Armstrong - *CL King & Associates - Analyst*

Mark --

Mark Light - *Signet Jewelers Ltd - President, CEO - US*

Bill, sorry.

William Armstrong - *CL King & Associates - Analyst*

Yes, that's okay. In light of the fact that there is a very short supply of new mall development opportunities, are you looking at downtown locations at all? And what sort of opportunities are you seeing there, and what kind of criteria would you use to

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

determine if a downtown location might be attractive? And that might apply either to a Jared or a Zale concept, sorry, Kay concept.

Mark Light - *Signet Jewelers Ltd - President, CEO - US*

Definitely not looking at Zale growth opportunities there. We have three what we call metropolitan stores. One's on 34th Street in Herald Square, one's in Brooklyn, and another one's down in Chicago. And they've performed fairly well, but the challenges that we have at these downtown type of locations is their rents are just ridiculously high relative to what we're willing to pay.

And with those rents we're looking for our 20% internal rate of return, and it's difficult for us to measure to get the sales that we expect to get that type of return. So, on an opportunistic basis if we see a good location, when we look at it and negotiate the rent and see if we can get the returns? Yes. Do we see it as a great growth vehicle? Due to the rents, I would say no.

Rick Patel - *Bank of America Merrill Lynch - Analyst*

Hi, good morning.

Mark Light - *Signet Jewelers Ltd - President, CEO - US*

Good morning.

Rick Patel - *Bank of America Merrill Lynch - Analyst*

Just a question on your online business. It's a relatively small percentage of total sales compared to other specialty retailers out there. Do you see it more as a marketing vehicle or do you see real potential to grow that business? And if you do grow it, how big can it eventually get?

Mark Light - *Signet Jewelers Ltd - President, CEO - US*

We see it first and foremost as a support and a marketing vehicle to drive traffic into our stores. We are -- the main aspect of our e-commerce is to drive sales and drive traffic into our stores. So the answer would be yes. But we do continue to improve our e-commerce business. We do continue to look at how we can make it a better business, and we do see opportunity to grow our business.

Just last October, we added to Jared.com the custom design-a-ring, and we offered some 15,000 plus loose stones, and Bill will talk more about that in his presentation. So always looking to, in everything we do, to improve our e-commerce business. But the main purpose for it is to really support the stores and the customers from the stores.

Rick Patel - *Bank of America Merrill Lynch - Analyst*

And you also mentioned that you had -- that you sold limited square footage opportunities in fiscal 2012. Are you looking to contract square footage about 2% like you are this year or do you think new stores will more than offset that?

Mark Light - *Signet Jewelers Ltd - President, CEO - US*

In 2012, we're going to see an opportunity to start growing stores. This year, we're in the zone of opening eight stores, and the contraction is due to the growth of the closures in our regional brands. Dependent on sales, dependent on store productivity,

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

we don't think we'll see a contraction next year, in fiscal 2012. But a lot of that depends on the next three quarters and sales obviously.

But we have started to sign leases again for next year. We have ten or so that we've signed and we'll take those opportunities if they hit our return on investment criteria. Any other questions? Yes.

Karen Howland - *Barclays Capital - Analyst*

I had just one quick follow-up from the e-commerce question. Do you actually advertise your e-commerce business specifically through either the Internet or normal mediums of advertisement? Or is it just people know about it because they go to the store and they learn about it through that?

Mark Light - *Signet Jewelers Ltd - President, CEO - US*

Well, we do do some e-commerce advertising, and George's presentation will talk more in detail about that.

Karen Howland - *Barclays Capital - Analyst*

Okay. Thanks.

Mark Light - *Signet Jewelers Ltd - President, CEO - US*

Thank you. If there are no further questions, this'll be my pleasure to turn over to Ed Hrabak.

PRESENTATION

Ed Hrabak - *Signet Jewelers Ltd - SVP, General Merchandising Manager - US*

Thank you, Mark, and good morning. The merchandising team essentially has a very simple task. Get the right product, the right price, and the right place at the right time. The right product includes the development of differentiated assortments which are becoming increasingly important as we strive to separate ourselves from our competitors. Also important is the development of value items to provide interest for the more price-conscious customer. We have to manage the gross margin and pursue supply-chain opportunities.

In specialty retail jewelry, merchandising has additional priorities and these are one, ensuring a consistency of quality as every diamond is unique, so that every time a piece of merchandise is moved from a display case by his sales associated, they know what to expect and can sell with confidence. And two, optimizing inventory investment given that it is the largest element of capital employed.

Over time, we have developed a number of competitive advantages in our supply-chain. We have sector leading systems, procedures and very experienced management. Our scale and expertise allows us to source direct 45% of loose polished diamonds we use and have them assembled under contract. This gives us a thorough understanding of the manufacturer's cost, which translates into a bull material that is prepared for each product. This in turn allows us to negotiate more effectively when buying complete.

Our scale and financial strength make us an ideal partner for the strongest and most innovative vendors, and our systems and ability to test allows us to identify trends earlier.

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

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

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

So there is a core product range that is supported by advertising and runs across Kay and the regional brands, we also adjust the merchandise range to take account of each stores' propensity to sell, which reflects demographic, regional and economic variations.

To help drive sales, we also differentiate our product by offering clear features and benefits. These may be obvious in terms of exclusive branded product or price and quality, but they can also be subtle. For example, in the terms of consistency of a diamond color between an earring, a necklace and a ring ensemble being presented to a customer.

This also requires well-trained, knowledgeable sales associates who can communicate these features and benefits to the consumer. All merchandise also maximizes sales, while minimizing mistakes.

Differentiated merchandise concepts can be supplier-generated or result from our own strategic innovation process. Differentiated merchandise drives football and sales, while protecting margins by reducing the risk of discounting by competitors.

Due to our size, record of developing programs and strong balance sheet, we are offered new merchandise concepts ahead of competitors. By securing exclusive distribution, we can be much faster to the market as compared to where a manufacturer or buying cooperative are trying to coordinate many different retailers.

This is particularly important when it comes to testing new products or programs. It also means we can develop clearer, more focused, cost-effective marketing message that complement our retail brands, rather than dilute the impact of our marketing dollars.

In the case of Jane Seymour, at the same time we were promoting her range, she was endorsing the Kay brand.

Our processes and systems also mean we are testing new designs to continually keep the range fresh and relevant. Again, this is much easier to do with only one retailer involved.

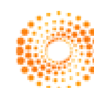
Signet is the ideal partner for manufactured developing branding initiatives, due to our commitment to testing, and then fully supporting successful programs. We train our sales associates in each new product, are able to support branding through our advertising and have the critical mass to sell significant quantities.

In addition, we also have established strong supplier relationships, and we have a track record that demonstrates that we can execute effectively and efficiently, and have the financial strength to succeed.

Developing differentiated program is a key capability that we have developed over the last three years, while most within the sector have been focused on survival. These programs have successfully combined our competitive advantages in merchandising, marketing, store operations and our balance sheet, in turn reinforcing their impact.

This capability provides us with the opportunity to not only gain share from other specialty retailer jewelers, but from non-specialty jewelry retailers, such as department stores and from other gift-giving and self-reward categories outside of the jewelry sector.

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

I'd now like to review some specific examples, all of which you'll see later today in the stores.

Our first major differentiated range was the Leo Diamond, which was tested in year 2000, and this year has its 10th anniversary. The Leo's point of a difference was that it was the first time it could be independently and individually certified to be visibly brighter. A great selling point for our sales associates.

We took it very cautiously, as did the manufacturer [Leo Shacker]. It took us three years to roll it out to all stores.

We have continued to develop the range by adding new shapes, products and sub-grams, as well as during the assortment according to a store's propensity to sell.

In 2008, we improved the specifications so that all Leo diamonds now have at least two very high ratings on the Light Performance Report.

Many people regard Leo as the industry's most successful branded diamond program. For example, IDEX magazine published by a respected industry exchange and research provider stated that the Leo diamond was quote, one of the most recognized diamond cuts in the US.

Subsequently to the Leo, we continue to develop new exclusive products. For example, the Peerless diamond is our proprietary branded ideal cut diamond with superior, certified returnable age characteristics. It is truly a superb diamond. It was launched in Jared in 2005 and will be demonstrated to you in the store this afternoon.

Until two years ago, major initiatives in the fashion categories were mostly De Beers inspired programs, such as the Journey range and the Right Hand Ring range.

However, in early 2008, we started working with Jane Seymour on our Open Hearts collection. The relationship came about by happy coincidence, but has proven to be very successful.

From our initial designs, we worked with the manufacturer, and by that Mother's Day we had product in-store being tested in a limited number of locations. The test was very successful, and projected sales warranted support with a national advertising campaign. And it was rolled out for holiday 2008 on, again, national TV.

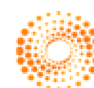
The response was phenomenal, and despite adding additional manufacturing capacity, we sold out of some designs, even though it was the worst Christmas for jewelry sales in nearly 80 years. We restocked for Valentine's Day, and the range continued to perform strongly. For holiday 2009, the assortment again expanded and we continued to test new designs and concepts, such as the Open Hearts, charms and watches.

Later this morning, George Murray will briefly cover how we are using Open Hearts by Jane Seymour to test and develop our capability in new media marketing.

Jane Seymour reinforced the potential of combining great merchandise with a point of difference, our advertising call on national television and our ability to execute in-store.

Loves Embrace built upon that three prong foundation. There are, of course, important distinctions from the Jane Seymour collection that strategically minimized cannibalization between these two programs. For example, the product targeted utilization of larger diamonds and therefore the range had higher price points.

Also, the emotional appeal is different, in that the Love's Embrace specifically targets a person who wants to declare love for another person with the expression of you will always be surrounded by the strength of my love.



©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

However, this position was similar to the Everlon range being launched by De Beers with several retailers at the same time. This demonstrated some important advantages that we had. First, our ability to test the product was far greater. Second, the combination of the [cave ran] and Love's Embrace in the same advertising meant we had a far more impactful impact on the consumer. Third, some of the distributors of the Everlon began to discount it for over the holiday season.

Despite the competition from Everlon, we had another successful new product launch and the assortment is being expanded further in 2010.

The Pandora program, which consists of hundreds of charms in a Build a Bracelet or Build a Memory concept had historically been available only to independents or in small collectable outlets.

In 2008, a test program was implemented in Jared. Importantly, one of the primary benefits of the Pandora program has been its traffic-building aspect. The consumer is typically a female self-purchaser who has never visited a Jared before. And the nature of the product encourages her to return to Jared over and over again.

In 2009, Pandora was rolled out to nearly all Jared stores. I was in Jared TV for Christmas.

We are now working to convert all these new customers to Jared using CRM methodologies that George Murray will talk about later.

Le Vian is a 500 year old brand of designer jewelry, is in stock in all Jared stores, with some having boutiques offering an extended range. Sterling is also the only mall specialty retailer to offer Le Vian.

As well as restricted distribution, we also have a number of exclusive designs. Le Vian has a high level of female self-purchase with a more frequent purchase pattern that is typical of our customer.

Also, Le Vian's major distributors have traditionally been department stores that have a much higher fashion jewelry participation than we have. However, compared with department stores, we have a number of advantages. First, we can offer a much better level of customer service. Second, we can advertise Le Vian on our national television.

As with Pandora, this was the first time the product had been advertised on national TV. A major attraction for owners of branding merchandise to partner with us.

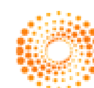
Third, we can use our leading CRM capability to promote gala events where we bring into store many hundreds of pieces from the Le Vian collection.

We have also developed a customer-assisted selling system in conjunction with Le Vian, which gives our consumer the access to a much greater product range, perfect for add-ons without us investing in additional inventory. You will see this later in the Jared store this afternoon.

This is an initiative we are developing with a number of manufacturers, where the customer, assisted by a sales associate, can through the Internet gain access to a much greater range of merchandise that can either be delivered to the store or wherever else the consumer wishes.

As I touched on earlier, all new programs are thoroughly tested before being rolled out. Very few retailers had either the scale or the systems to be able to do this.

Testing replaces the buyer's gut feel that others employ. It helps identify the best designs within a range, allows for more accurate forecasting, and when ongoing, identifies change in purchase patterns.



THOMSON REUTERS

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

We are currently testing three new fashion programs. Statements in Silver, a range of gold silver and diamond-fashioned pieces, Color Obsession, an exclusive range of whimsical pieces made with Swarovski colored gemstones, and Charm Memories, a proprietary range developed for the mall stores.

You'll be able to see all three of these later this afternoon.

We are also developing differentiated ranges in the bridal category, which accounts for around 45% to 50% of the US sales. This is an opportunity to leverage our polished dining sourcing advantage. There are very few differentiated bridal programs in the middle market, therefore this is potentially a major opportunity for us.

A successful program would also enable us to market our largest product category outside of the gift-giving season and move Kay and Jared nearer to continuity advertising on national television.

Over the past two years, we have also increased our focus on value items which provide interest to a more price-conscious customer in a more challenging environment.

Our scale and expertise gives us the ability to take advantage of pricing anomalies in the polished diamond market. We make up the diamonds into select products, to minimize the adverse impact on gross margin. And, we can work with manufacturers looking to utilize spare capacity on complete merchandise.

Turning now to gross margin. The overall gross margin is impacted by a number of factors, but the most important are commodity costs.

Diamonds, which represented about 55% of costs of goods sold in fiscal 2010 are still below 2008 prices. But we are seeing inflationary pressure in the current year.

Gold, which represented around 20% of COGS remains volatile with upward pressure.

Due to our use of average costing of inventory and hedging of gold, it takes time for commodity costs to impact gross margin, and we have time to consider pricing action to mitigate their impact.

Mixed changes can also be very important. They can be positive, for example an increase in differentiated product, or negative, for example a shift to larger solitaires or increased participation of Jared.

We have responded to these pressures in a number of ways. We have been able to identify trends earlier as we are active in the polished diamond markets.

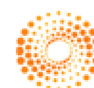
Our efficient systems and procedures and experience allows us to make considered responses. Through our supply chain efficiencies, for example, by taking out and parting with the lowest cost suppliers that satisfy our quality standards on a worldwide basis, using our operational stability and financial strength to negotiate better supply terms, and third, invest in new expertise where appropriate.

We have also been developing a source merchandise to minimize price comparability.

The other side of gross merchandise margin is pricing. In general, there is an inelastic response to price changes, as jewelry is an infrequent purchase of a non-standard product. So the consumer has limited price visibility.

In addition, if the price increases due to higher commodity costs, the underlying intrinsic value of jewelry is a reassurance to the consumer. Typically, the consumer has a dollar budget, not a product-specific constraint. Therefore the wide range of price

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



points, for example from $79.99 to $1,799 for an iconic item in the Love's Embrace range means that a suitable item is normally within the customer's price range.

In the gift-giving categories, a consideration is share of wallet, with a wider range of substitute products being available than in the bridal category.

When considering pricing, we have the additional advantage of having the lowest cost supply-chain in the mid-market specialty sector.

In fiscal '06, '07 and '08, the change in gross merchandise margin had a small negative impact on operating margin. In the last two years, it has had a positive impact. The movement over the whole period was broadly neutral. This is at a time when commodity cost movements weren't favorable in four of those five years.

This year's gross margin is expected to be broadly similar to last year's level.

In summary, the merchandise team aims to provide competitive advantage to our field staff. They need to have confidence in the merchandise selection. Therefore, we aim to offer customers better value than the competitors.

Our sales associates are trained to explain these superior features and benefits to the customer, so helping to close the sale.

The quality of our diamonds is superior, due to our direct sourcing capability, buying scale and very demanding standards. We are also very careful in matching qualities in multi-stone settings and for style ensembles, again, helping the stores to close the sale.

Also, customers expect to see a consistent quality merchandise in SKU, whether the return for second visit, go to a different store to view a potential purchase or buy over the Internet.

We also achieve a consistently high in-stock position. Merchandise should be up-to-date. We do not want the store to have a high percentage of discontinued clearance items at discounted prices.

As well as quality and basic merchandise, the store needs distinctive merchandise that the consumer desires. We are also increasingly developing merchandise targeted at customers with specific characteristics, for example, Le Vian and Pandora and our value items.

We are also providing additional, exclusive and differentiated merchandise programs that are only available in our stores. Ask the stores this afternoon if we deliver on those objectives.

I'll take any questions. Yes, sir.

QUESTIONS AND ANSWERS

Daniel O'Keefe - *Artisan Partners - Portfolio Manager*

[Inaudible]

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Ed Hrabak - *Signet Jewelers Ltd - SVP, General Merchandising Manager - US*

Last year, we finished about 20% of sales was differentiated. It has continued to be strong in Q1, we're very pleased with it. But right now, it's still about the 20% range.

William Armstrong - *CL King & Associates - Analyst*

Thank you. You mentioned you're developing differentiated bridal ranges for your stores. Are they in the stores yet, or when might we start seeing that?

Ed Hrabak - *Signet Jewelers Ltd - SVP, General Merchandising Manager - US*

Actually, they'll be in store early July.

William Armstrong - *CL King & Associates - Analyst*

Okay. Is that a natural roll-out, or are you just testing?

Ed Hrabak - *Signet Jewelers Ltd - SVP, General Merchandising Manager - US*

Right now, it's just testing. We'll be testing in, I believe, 100 or so stores. We're going to test it in mall and Jared, initially, and see how the read goes from there.

William Armstrong - *CL King & Associates - Analyst*

And if it goes well, might we see it make nation-wide by this holiday, or --?

Ed Hrabak - *Signet Jewelers Ltd - SVP, General Merchandising Manager - US*

I think it will be hard to be nation-wide, but I would think definitely with the view on the cards to expand further beyond that.

William Armstrong - *CL King & Associates - Analyst*

Is the holiday season important for bridal or not necessarily?

Ed Hrabak - *Signet Jewelers Ltd - SVP, General Merchandising Manager - US*

Bridal remains -- the attractiveness of bridal is that it's very consistent throughout the year. And what really happens is that Valentine's, Mother's Day, Christmas, the gift-giving takes up. Bridal doesn't go away, it's just the gift-giving category is really subject.

So it sells year-round, very consistently.

William Armstrong - *CL King & Associates - Analyst*

Thanks.

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Rick Patel - *Bank of America Merrill Lynch - Analyst*

Hi. Just a follow-up on the product launches in time for holiday. Your other two new product launches have the potential to be in stores for holiday, the Color Obsession and the charm bracelets.

Ed Hrabak - *Signet Jewelers Ltd - SVP, General Merchandising Manager - US*

There's three. There's the Charmed Memories, which is the charm bracelets, Color Obsession, which is the Swarovski crystal and then the third is the Statements in Silver.

Those all three were in set end of April, early May. And yes, based on -- we're cautiously optimistic but all three of those could potentially, if successful, could be in a position to roll-out.

Rick Patel - *Bank of America Merrill Lynch - Analyst*

And have you thought about engineering products differently to either have less gold content or diamond content, in order to help offset the price?

Ed Hrabak - *Signet Jewelers Ltd - SVP, General Merchandising Manager - US*

Statements in Silver is exactly that premise. What we've seen is that as gold has gone up to $1,200, more and more manufacturers are converting their gold models, and just producing it in silver.

Well the real beauty of silver is it's $17, $18 an ounce, versus $1,200 for gold. So, rather than just convert your gold models into silver, you have the opportunity to add in two or three times the model of the metal, and really get some old-fashioned looks. And it really adds nothing to the cost of the product.

So the answer is yes, we're looking at that. And I think some people have just taken the easy route, just converted gold to silver. We're taking this and now saying let's use silver to its advantage.

Rick Patel - *Bank of America Merrill Lynch - Analyst*

And what percentage of costs does silver represent right now?

Ed Hrabak - *Signet Jewelers Ltd - SVP, General Merchandising Manager - US*

Do we have a handle on that yet as far as silver's percent? Definitely a high percent of the units, but the dollars are --.

And again, what it does is it allows us, the point we were trying to make earlier, is that gold is going up and causing some price points in the lower ranges to be vacant. And you've got sterling silver products to take over those price points as well as some of the other metals that are out there, titanium, tungsten, et cetera.

But we're not vacating price points.

Yes, ma'am.

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Valerie Brown - *AllianceBernstein - Analyst*

What do you have, a perspective on the fashion jewelry category? I've noticed a lot more of the apparel retailers really starting to focus on accessories and jewelry to increase their average ticket. Do you view that as an opportunity for you, as a competitive threat?

And then I also wanted to ask about your festivity and watches, and whether or not you're seeing any growth in that area.

Ed Hrabak - *Signet Jewelers Ltd - SVP, General Merchandising Manager - US*

Okay. Fashion, we think is very important. Our forays into Pandora, Le Vian, Charm Memories will definitely be all about fashion. Always about attracting a female purchaser, you know into the middle market. Specialty retail jewelers have historically been bridal-focused.

It's a key percent of our business, almost half of our business. So we're still -- we're not, again, walking away from that. But we definitely see the opportunity for more fashion products and attracting more customers, taking advantage of that foot traffic.

As far as time pieces go, last year and a half was hit pretty hard. We are seeing watches bounce back in the US, although it's a small part of our business.

So again, it's part of our consumer offering. It's not something we're necessarily trying to grow. It's a convenience. But we're really trying to be as focused and get as much out of that return on investment on the watches that we carry.

Any other questions?

Okay. I think we're going to take a coffee break now for, what, about 15, 20 minutes? A quarter to 11. Very good.

(BREAK)

PRESENTATION

George Murray - *Signet Jewelers Ltd - SVP - Marketing - US*

Well, welcome back and good morning. It's a pleasure speaking with you all today.

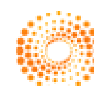
Sterling derives significant competitive advantage from its leading brands and our ability to promote them. The Every kiss begins with Kay campaign strongly resonates with consumers and Kay has the largest marketing budget in the mid-market sector to drive traffic.

Kay has benefited from great execution of its romance and appreciation base message, and being consistently applied over time.

Our, "He Went to Jared" campaign has nearly doubled the typical industry advertising support and its advertising is designed to build brand awareness, and provide a reason to buy a Jared based on selection.

The use of national television support since 2006 has created leverage and accelerated the process by which Jared has now become the third best known brand in the sector, even though it's competing against brands that have been around for much longer.

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

We also have regional brands that are very well established in their respected local markets. Their primary method of marketing support are catalogs and customer relationship marketing.

National network advertising has a number of advantages including the greater marketing leverage because every store benefits from each additional impression. It helps develop brand name recognition more quickly when entering new markets, and it gives the ability to integrate products and sponsor programs as Kay did with Deal or No Deal, and My Name is Earl, and Jared with National Treasure on USA Network, to name a few.

There's also very limited competition from other jewelry companies on national television. The numbers provide the effectiveness of television. When TV advertising was introduced on a market-by-market basis to support Jared, we saw the acceleration of the growth for our Jared sites.

The efficiency of TV advertising can also be seen by Kay's greater productivity and superior growth compared to that of our regional brands. All other aspects of the business were the same, merchandising, training, real-estate criteria and historically similar marketing sales ratios.

The only historical difference is that Kay used advertising on national TV, whereas the regional brands used local radio.

Over the last two years, the gap has widened as Sterling's marketing budget has been focused on those brands and medium that produce the greatest return on investment, and that is Kay and Jared national television, rather than local radio for the regional brands.

We're now going to show you two examples of ads. This Kay Christmas promotional message is on solitaire earrings and is embedded into the emotional messaging of an ad we call Silent Night. It helps to build the rational reason why to buy jewelry from Kay now, with the emotional story of romance and appreciation.

Let's take a look.

(VIDEO PLAYING)

George Murray - *Signet Jewelers Ltd - SVP - Marketing - US*

With Jared, 3 Daughters was developed around a key consumer research insight. That was the fact that daughters suggesting to dad a perfect gift for mum, which happens quite often with the Pandora product line. Let's take a look at 3 Daughters.

(VIDEO PLAYING)

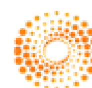
George Murray - *Signet Jewelers Ltd - SVP - Marketing - US*

Kay has raised advertising awareness from about 45% in 2003 to over 75% currently, and the total Kay brand awareness stands at 95%. Jared advertising awareness has built from the low teens in 2003 to just over 70% in 2009. Total brand awareness for Jared is now in the mid-80s, much higher than that for many other longer-established brands.

Our customer experience scores have risen by almost 10% over the last four years, with the likelihood to visit again and referring a friend achieving over 80% in the top box scores, which are very strong scores.

This chart compares our advertising spend with that of other specialty retail jewelers. You will note that we spend more on an A&S ratio than Tiffany worldwide in supporting our brands. Tiffany tends to use upscale print media in a targeted fashion.

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



While in our financial statements we give gross spend and the sales figures are net of vendor contributions, adjusting our data to a net basis does not materially change the numbers. We have consistently been spending about 3% more of sales on building our brands.

Sales spends as a percent of sales has been broadly in line with that of a typical jeweler.

Over recent years, De Beers has changed its strategy with respect to generic marketing support. Historically, it was a major driver of innovation and marketing within the sector, creating programs such as the Right Hand Ring and the Journey category.

In recent years, De Beers has pulled back from generic beacon programs to focus on developing its own brands, requiring a marketing contribution from approved retailers that wish to carry the merchandise. Our concern was that our marketing dollars would support products that were sold by competitors. In addition, we had little if any control over the advertising execution and limited ability to test the ranges.

Also, the De Beers concepts were becoming increasingly prone to discounting. At the same time as De Beers was changing its strategy, we began successfully establishing differentiated ranges. These ranges leveraged the strong Kay and Jared brand equity and our ability to use national television advertising. We changed the execution of our ads and moved from product middles to fully integrating the merchandise into the execution. This has proven remarkably successful.

Also, due to our advertising scale, we were able to take advantage of product placement opportunities and popular programs. While we have increased our focus on differentiated products in recent years, it is not a new phenomenon. Evidence that 2010 being the 10th anniversary of the Leo Diamond.

I'd like to show you two examples of these changes. This TV ad for Open Hearts with Jane Seymour recently ran at Mother's Day, and includes the new line extensions, Angels and Peace, Love and Open Hearts. The ad shows Jane recognizing her mother's role in the Open Heart's philosophy, as well as a reprise with her two twin sons.

(VIDEO PLAYING)

George Murray - *Signet Jewelers Ltd - SVP - Marketing - US*

This national product placement of our Open Hearts line on NBC's My Name is Earl showcases Jane Seymour in a unique and very effective way. This integration has been used as a gold standard within some of the network broadcast companies.

(VIDEO PLAYING)

George Murray - *Signet Jewelers Ltd - SVP - Marketing - US*

We also have strategic competitive advantages in our customer relations marketing. While the concept may be relatively new, we have built our customer database of 26 million names over the last 15 years.

Data is gathered from multiple touch points, and is used to build up our customer profiles. Contact is made via phone, mail or e-mail in a coordinated manner based on what is likely to achieve the best return on investment.

We judge this by using response-based behavioral models that we have developed internally, and that are tailored to our specific promotional cadence.

These models are continually tested against alternative strategy to continuously improve their effectiveness. We are currently working hard to take advantage of a major opportunity that has been created by all our new Pandora customers in Jared. A

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

high proportion of these customers are new to Jared, but the demographics are a strong match to that of the existing Jared customer base.

Kay and Jared have fast growing Internet sites. Website, traffic analytics company comScore, Inc. reported that www.kay.com's unique visitors were up 69% in December '09 compared to December '08 and Kay.com was among the top gaining retail sites over the last holiday season.

Year-over-year, Jared.com visitors were up 46% for the FY'10 period compared to fiscal '09.

This slide depicts the Mother's Day homepage. Homepages for both sites place strong emphasis on our brands, Love's Embrace, Open Hearts by Jane Seymour, the Leo Diamond. www.kay.com is slightly more promotional in nature, promoting clearance merchandise, previously owned and super values.

This slide depicts the Jared Mother's Day homepage. Jared.com features one of our differentiated lines, our designer ring capability, as well as Pandora, which is a top-selling jewelry line. Search and customer care links are also predominantly featured.

We continue to test new media using the same return on investment models as for other marketing methods. For example, we have tested Internet advertising such as banner ads, and while you can get a lot of very cheap impressions, they do not generate very much in the way of sales. While search advertising has proven to be more effective, we continue to evaluate paid search advertising.

We are also assessing the use of social media, with tests such as our Jane Seymour Open Hearts micro-site, a YouTube channel, Facebook page, mobile texting and e-cards with Open Hearts messaging.

The consumer response to our Open Hearts by Jane Seymour micro-site has been positive overall, with consumers posting their Open Hearts stories in text form as their preferred method.

The social media architecture has been rated as very strong and we're now looking to build traffic and visitation to these sites, as we believe they are still in the early days of building the Open Hearts social media community.

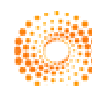
I hope that I've demonstrated that we have sustainable competitive advantages in marketing. National television remains by far the most effective form of advertising in the jewelry sector, and if you have the skill to be able to use it economically and efficiently, with consistency over time, developing the brand's equity.

Over the last two years, we have also demonstrated that we can use it to successfully introduce differentiated ranges without reducing the awareness of Kay and Jared brands. We are a leader in customer relations marketing in both the jewelry and the general retail. While Kay has only been e-commerce enabled since the fall of 2006 and Jared since 2008 fall, they've already proven the best brick-and-click capability in the jewelry sector, developing the sites and the synergy between our online and off-store presence.

We are continually testing new strategies and media, and when they give us the necessary return, we will make the appropriate investments.

I would now be pleased to answer any questions anyone has.

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



QUESTIONS AND ANSWERS

Valerie Brown - *AllianceBernstein - Analyst*

What trends are you seeing in terms of advertising costs, because you mentioned that TV is your primary vehicle for communicating with your customers?

George Murray - *Signet Jewelers Ltd - SVP - Marketing - US*

This is an election year and with auto and some economic rebounding we do expect price inflation in the upfront market as it's called. It's still too early to tell where that's going to net out, but we are prepared and look at television as our single biggest efficient and effective medium.

Okay, no other questions then I'll go ahead and turn this over to Bob Trabucco.

PRESENTATION

Bob Trabucco - *Signet Jewelers Ltd - EVP, CFO - US*

Thank you. Good morning, thank you George. This morning in our credit update we will overview the roll of credit at Sterling and in particular highlight why managing credit in house continues to be an important competitive advantage.

This afternoon for those joining the credit-risk management discussion, we will focus in greater detail on some of the specific techniques that we employ in lending which protect and ensure the effectiveness of our credit book.

If you were to argue with the importance of proprietary credit in midmarket jewelry retailing, different from marketing which drives the business that George just spoke about. At Sterling credits roll is just to facilitate a sale. Our key premise is that we sell jewelry, not credit.

When we say credit is a sales enabler, we mean that we offer an attractive credit vehicle which many of our customers need or simply choose to finance their jewelry purchases.

In addition, credit provides our sales associates with the ability to utilize customer's credit lines as a means to suggest, add on or trade up purchases which contributes to higher sales.

As we tract customer buying habits closely, we are able to target market this highly productive customer group who over their lifetime spend about 3.5 times more than a non-credit customer.

However, a question that is sometimes posed is why in house versus outsourcing? The principal competitive advantage of managing credit in house versus using a bank is an optimizing control of the business. I mean no disrespect to any of our bank partners in the room.

We are exclusively focused on the Sterling Jewelry customer and in making profitable sales by generating gross margin within our risk parameters not the banks.

As Mark said, we look to maximize profitable sales, not lending. We are able to better tailor our program to our jewelry customers many of whom have different needs and characteristics compared to a bank-card customer.

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Accordingly, we set the credit policies to meet our needs from lending to recovery including use of proprietary score cards and targeted collection tactics while directly managing customer service standards. Our more rapid repayment schedule versus a bank also helps reduce credit exposure and increases customer's purchasing power generating open to buy.

In addition, our risk tolerance is different from a bank due to the gross margin embedded in our receivable. Meaning it takes fewer payments to make the transaction profitable for us.

Maintaining control of credit in house affords us the opportunity to react quickly to changes in the environment since we are exclusively focused on the performance of the Sterling Jewelry customer.

The bank earns its return in the portfolio they acquire from a combination of merchandizes and consumer interest charges which are maximized when outstanding balances are high.

A key difference is when we book a receivable, as noted, a significant portion of it represents our gross margin of the sale. By contrast, the bank's receivable represents the cash paid to the merchants.

Obviously, we look to establish best practices in efficiently managing the portfolio. In normal economic times collected finance charges less allocated costs including notional interest typically results in a breakeven to slightly positive return on our portfolio.

Certainly in recent economic times the portfolio performance has been negative due to higher losses and while it reduces, it does not eliminate the profit margin of the sale.

In an outsourced model the bank would likely have to charge us a higher merchant fee to recoup its losses which would then result in even higher cost for us and as we have all read, in significantly reduced new account approvals which in turn have a further negative effect on sales. As a result, outsourcing actually increases rather than reduces or eliminates credit risk.

Our credit operation is embedded in statistical science. We do not automatically or arbitrarily contract or expand credit depending on the economic environment.

Obviously, the portfolio performance will be affected by macro factors and the tactics we employ to manage the portfolio reflect the changing behavior and characteristics of our account holders and applicants. Our strategy does not change, our tactics do.

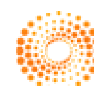
Our lending tactics focus exclusively on the attributes of our Sterling customers. Unlike some lenders, we do not base account approval primarily on a generic cycle score. Rather, we continually look for characteristics or lending sells in our portfolio that differentiate among the behavioral performance of our customer accounts.

Similarly, our collection tactics are targeted to our customer. For example, we effectively tested different short-term hardship programming and since we have a security interest in the product we sell, we utilize that fact in crafting more tailored recovery efforts.

Most importantly, we directly manage the customers service standards by interfacing first hand with our customer's to fully address their needs from credit statement inquires to product question. Our service standards focus on speed to answer calls and in achieving satisfactory first call resolution.

To underscore the desirability of maintaining control of the credit portfolio, one only has to look at recent competitive issues. Zales, who tried to outsourcing its internal operation, historically reported around 50% of their sales on its private-label program.

However, since outsourcing its program, Zales has seen a reduction in their credit sales penetration whereas they most recently reported a 40% attachment rate. Zales also report that it is required to make a $6 million payment to Citibank in order to maintain the program due to lower-than-anticipated volume.



THOMSON REUTERS

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

In addition, the bank earlier advised Zales of its intention to tighten certain approval criteria and notified Zales that the bank would not renew the current program. Citibank has, however, engaged exclusively with Zales to negotiate a replacement of their program.

Last year CIT is filing for bankruptcy protection constrained some independent jewelry programs and finally, given the environment of the past few years, banks priorities have changed. For example both HSBC and GE Capital have reduced their exposure to private label programs.

Next we'll review the profile of our credit customers and illustrate some of their special characteristics.

In looking at our Sterling credit customer, about half have the income and credit attributes of a typical retail or bankcard account holder, and they elect to use private label credit because of the financial flexibility it affords or perhaps to take advantage of interest-free financing options.

The other half of our account base is decidedly different in that they often have less established credit history and frequently are younger first-time bridal customers involved in the investment of establishing a new household.

Of our newer accounts, a significant amount roughly in the 40% to 50% range are bridal buyers purchasing products with average selling prices well above the Company average which further enhances the profitability of the credit sale.

We believe it takes specialized knowledge to most effectively lend to this customer segment. How we manage this group of applicants is a key point of differentiation for us.

As we have mentioned, a certain mix represents slightly over half of our sales. Credit is fully integrated into the business including allocating the credit operating costs and the accounts receivable investment into our IRR calculation for evaluating store performance.

The credit function has been centralized here in Auckland for more than 15 years, and we look to employ best practices throughout the process. Periodically we bring in advisors to assess and challenge our operating models, policies and practices and to make recommendations for improvement.

Our goal is to deliver industry best practices through systems and ongoing training to better support the business in a profit maximizing way.

For example, our risk management underwriting processes are highly automated, and we use third party credit bureaus and other outside sources to verify account applications.

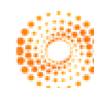
Typically, we decision approximately 80% of store applications within 20 seconds. When an account is referred, highly trained authorizers employ additional techniques and fraud controls to further evaluate an application.

In addition, add-on purchases are also statistically monitored through the customer's payment history as well as through bimonthly credit bureau updates.

The characteristics of our portfolio include an average sale which is significantly greater than that of a noncredit sale and results in an average account balance of approximately $1,000 which on average is collected in about eight months.

Interest rates vary by state and are based on the customer's state of residence. Today, they average about 19.8% with 24.99% being the highest base rate which is competitive within the jewelry industry.

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

About 25% to 30% of our accounts are on a promotional interest-free program which typically run for about 12 months but payoff in less than that and require a 20% down payment which further mitigates risk.

In addition, these transactions have minimum purchase levels which further enhance our average selling price. We have a conservative and very, mechanized provisioning policy whereby we provide for 100% of the balances when an account ages 90 days on a recency basis.

In FY10 our average accounts receivable investment was $845 million and it moves broadly in line with sales. The asset is financed by internal cash flow and general corporate resource.

We monitor performance continuously on virtually every dimension of approval rates, account aging, collection rate and bad debt trends to name a few. Our consistent lending philosophy has resulted in our long-term performance being less volatile.

For example, this slide shows that for the 11 years 1997 to 2007 that net bad debt as a percent of sales and our collection rates were performing in a very tight range.

Obviously since then, the portfolio losses have been higher reflecting the broader weak economic climate and this too is reflected in the decline in our collection percent. However, our performance over the last six months has showed signs of improvement.

This graph shows the first quarter net bad debt to sales ratio and the collection rate for the last ten years. In our recently reported first quarter of FY11, net bad debt expense improved by 120 basis points.

This reflects both higher sales and an improvement in the underlying portfolio performance which was also seen in many of the other key indicators of the receivable book including the first uptake in the monthly collection rate since FY07.

While the absolute level of the ratio is no guide to the full year due to the seasonal nature of our sales in net bad debt charge, but the change of the comparable quarter versus the prior year is meaningful.

Finally as the next slide shows, our performance in bad debt in the difficult 2009 environment was significantly better than most other lenders, again, reflecting consistency and focus on best practices.

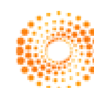
This slide shows Sterling's 2009 quarterly year-over-year increases and losses or charge offs against those of several key retail lenders. As you can see, Sterling's 2009 quarterly which is represented by the first four bars on the chart overall has been significantly better than these key retail lenders.

Last year's Q1 shows our performance was a little bit better than the average and this was our weakest comparative performance whereas over the remainder of the year, our performance was consistently better than the entire competitive set and by a healthy margin.

While seasonality's probably a factor, we believe this performance is illustrious of our ability to quickly respond to changes in the environment with targeted action.

Last year as part of our normal annual process of reviewing our score cards for efficiency, we identified that one of our score cards was becoming less efficient in separating good from bad risks. This was due to the fact that the complexion or attributes of our recent applicants was different than when the model was last refreshed.

The changes made in updating the model actually resulted in a net increase in approval, not decreases like most other institutions reported. In addition, we identified and surgically shut down some lending sells which were trending to underperformance by segregating particular account characteristics.



THOMSON REUTERS

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

Also, we expanded the use of down payments for certain higher-risk accounts that resulted in improved collection and in some cases seeing some high-risk consumers opting out. As always, we continued to invest in our systems and people.

Last year we updated our automated dialer capability and undertook a new decision engine technology project. We enhanced our recruiting and training procedures including a paid pre-hire training program for applicants.

We better targeted our recovery resources including use of third-party collection agencies, dead buyers and in-house recovery special. In addition, we improved our customer service level by testing and establishing a structured hardship program and improved payment features on our branded website.

All of these efforts have resulted in delivering the best possible results in an extraordinarily difficult economic environment. Lastly, I'd like to comment on the recently enacted changes to TILA or Truth in Lending Act laws which continue to take effect in phases through August of this year.

The primary adverse effects of the law have on our portfolio are to significantly extend the timing of when default interest rates can be assessed, change the method of calculating average daily balances to assess finance charges for many accounts, effectively illuminate the fees that can be assessed when a customer makes a payment over the phone unassisted and still to be determined is the cap on late fees that can be charged for delinquent payment.

This final ruling is due shortly and is scheduled to take effect on August 22 of this year. In addition, there were certain one-time costs related to mailing disclosure notices, form changes, IT programming efforts and legal expense. Also, there are some higher ongoing costs related to hired statement print and postage expense.

To help mitigate these effects, we identified where we were able to make certain changes such as increasing finance charge rate. However, these mitigation activities were limited in scope since the bandwidth to make changes is dictated by individual state usury laws for us.

The net adverse effect due to the changes in the law currently effective and those contemplated is still estimated at between $15 million to $20 million this year. The majority of which is reflected in other income.

About a $3 million impact was realized in the first quarter which was a partial quarter since all of the changes were not yet in effect. Since all portfolios including banks are impacted by the law, there is no disproportionate negative impact of the law for operating in house.

In conclusion, we continue to firmly believe and demonstrate that we maintain a comparative advantage by operating our credit private-label program in house. We have developed a credit program that is tailored to our business and to our customer.

Envy of the efficiencies and the climbing of scale to operate the credit function cost effectively, employing state of the art systems and best practices all maximize the return to the business not just to the credit book.

We manage our priorities better than a third party could. Like everything else at Sterling, we look forward to providing continuous improvement in our service to our stores and retail customers in support of our strategy. Thank you and I'd be happy to take any questions.

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Q - A N - A

Matthew McClintock - *Barclays Capital - Analyst*

Hi Bob. So I believe that you said in downturn you actually increased approvals for credit and many of retailers out there target, for example, it's talked about the recent credit legislation amendments and it's talked about actually bring approval down further and actually declining, decreasing the size of their overall credit portfolio.

Given that credit is such an important integral part of your sales plan, how should we think about the credit legislation amendment on your top line as well -- I understand how it is on the bottom line right now with the cost going up, not be able to charge late fees, et cetera but what about top line itself? Are you going to be able to continue to drive top line through extending credit at the same rate as historically?

Bob Trabucco - *Signet Jewelers Ltd - EVP, CFO - US*

Thank you for the question. First off again, we don't drive the top line with credit. It's there to facilitate the sale. The truth in -- you actually have a couple of different points that I want to address. You mentioned the truth in lending act and how does that impact the top line. The answer to that is really very, very little. The act itself does impose certain new requirements for lenders to calculate the consumer or applicant's ability to pay.

We have, prior to the law going into effect, already incorporated that philosophy into our credit granting criteria. So that's part of our underwriting standards already. So the fact that that's being imposed by TILA as a law, really has very little impact for us since we were doing it already. The other part of TILA that can potentially have some effect, again not significant is that it, as far as interest-free programs are concerned, the minimum interest-free period now has to be six months.

We did have a three month or a 90 day same as cash plan which I think largely was used by sophisticated consumers to take advantage of that they pay a third, a third, a third. And that program is no longer offered. We still have our other programs, and in fact are testing a six-month plan as well.

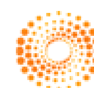
The impact which is early here of the elimination of that three month program has been really nominal in that the customer has just optioned to take some other option. As far as the economic environment is concerned with respect to approvals and you mentioned what Target is doing and look at what everybody else does for their own business is their business.

And as I had said the remarks, we do not focus on an approval rate. We focus on improving those accounts that meet our strict credit-worthy criteria which has evolved over the years. We do not have the program such that we react to changes in the environment. Gee, things are tough so therefore, let's slash approvals. We want to continue to support the business by lending to those customers who meet our criteria.

Of course, if the customer's credit profile change, their attributes, their characteristics change and that's what we're all about in underwriting; finding out how these people behave or how they're currently behaving as a new applicant and therefore, putting that against the model which says that people with these characteristics are likely to pay or likely to have this type of bad rate. It's that science which has been consistently employed over the years. It will just continue to employ regardless of the economic environment. We will be vigilant.

We measure everything virtually in every way and the further refinements in our underwriting strategy, unless you use a blunt instrument and say, okay, let's just raise the cut-off score here or change something else, because that effects a broad class of consumer as opposed to taking a micro focus of doing a cell analysis of these attributes or combination of attributes and now behaving differently.

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

Therefore, we can make lending decision changes or I'd call them tweaks, modifications based on actual account performance. So no brush but obviously we stay extremely vigilant in ensuring that the portfolio performing as it should or if it isn't, to try and determine why and then take appropriate action.

Rick Patel - *Bank of America Merrill Lynch - Analyst*

Just a question on your bad debt reserves. Can you remind us at what level you're at today versus the historical level? As we think about the credit card business getting a little bit better, what level would charge offs need to go to for you to return to your historical level as for the bad debt reserve?

Bob Trabucco - *Signet Jewelers Ltd - EVP, CFO - US*

Sure, Rick our provisioning policy has not changed. The provisioning for bad debt expense occurs when an account ages to 90 days on a recency basis. There's been no change in that. We've consistently applied that over the years.

Obviously, at several times during the year and particularly at year end when we look at the reserve balance against the gross receivable, we and with all the help of KPMG as well, will ensure that we evaluate that reserve as being appropriate.

We have consistently been reasonably conservative in that and it has not changed. Going forward, what happens really is much a question about what happens with the economy as anything else. All we can do is focus on the finite tactics and strategies that we have to maximize the profitability of the sale in the book and manage the book efficiently in the environment.

Where the economy goes is obviously extremely important as to how the receivable book will perform. Obviously, we're encouraged with our progress especially in the first quarters as we reported. But it's true that even the fourth quarter of last year, we began to see some signs of improvement. So hopefully, we'll continue to experience that through a rebound in the economy.

William Armstrong - *CL King & Associates - Analyst*

I'm not sure if there's a simple answer to this, but in the instance of a customer is late with a payment on a policy purchase with a zero interest promotion, what exactly are you now able to charge in terms of late fees or interest compared to what you were able to charge before these amendments went through?

Bob Trabucco - *Signet Jewelers Ltd - EVP, CFO - US*

Yes, you're right. It's not a simple answer, but I can give you some color as to what the changes in TILA have meant.

First of all, the late fee, that can't be assessed until an account is so many days past due. The issue with late fees is as much about what the maximum amount of late fees that can be assessed.

It's been frankly up to the state of a banks charter or for us since subject to all the state user laws as a private credit issuer, we're able to charge what the individual state will permit. The jury's still out on what that number will be. Help me with the second part of your question.

William Armstrong - *CL King & Associates - Analyst*

Late fees and also I think you can start charging interest after a certain period of time.

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Bob Trabucco - *Signet Jewelers Ltd - EVP, CFO - US*

Yes, right. That's perhaps, in my view, one of the most significant impacts of a change in the law. Previously at [Asterate], a customer basically went in default, missed a payment. You were able to charge a default rate higher than the probably normal rate.

Also in the case of interest-free financing programs, if the customer previously defaulted they basically are in breach of that programs requirements and you could reach back and collect a finance charge as if it were a revolving account from the first day.

William Armstrong - *CL King & Associates - Analyst*

From the date of purchase?

Bob Trabucco - *Signet Jewelers Ltd - EVP, CFO - US*

Yes. That is, as a practical matter, no longer applicable. The rule of TILA is that before you can change the customers rate, they have to be at least 60 days past their payment due date at which point that triggers a notice to be sent to the customer at which time they have 45 additional days to cure. So just do the math; 60 plus 45 is 105. We provided 90, so it's pretty clear that with the new laws that we'll not be collecting much in the way of default rates.

Certainly, were able to post that default rate to the customer's account. We obviously don't recognize it until we were to collect it. So if the customer subsequently cures after all that transpires then we would be able to assess then. To be frank, a significant portion of the $15 million to $20 million estimate is a result of changes in the default rate when it can be assessed.

William Armstrong - *CL King & Associates - Analyst*

Does this then alter your entire approach to zero percentages promotions and are you reducing those types of promotions?

Bob Trabucco - *Signet Jewelers Ltd - EVP, CFO - US*

It does not. Again, our focus here is to offer the customer the credit program including interest-free financing options that are right for them and that they can choose. It's been a relatively not insignificant certainly, but it's been a very stable portion of our total sales on credit of about 30%. It will likely come down a bit primarily because of the illumination of the three months or anything other than six month program.

We are looking to drive gross margin, not maximize finance charges and I think that really says it. Sure, love to have back the $15 billion to $20 billion but we'll move on. Again, the return to the portfolio is not contingent upon how we manage our strategy.

William Armstrong - *CL King & Associates - Analyst*

Just one more question on a slightly different topic. You mentioned you have a higher minimum payment and a shorter amortization period than a typical bank credit card. Again, I'm not sure if there's a simple answer to this but if I bought a piece of jewelry and I took a thousand dollars, had a $1,000 balance and I just made minimum payments every month, how long would it take for me to pay that down to zero?

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Bob Trabucco - *Signet Jewelers Ltd - EVP, CFO - US*

Well, I'd have to do the math on that so I'll ask Michelle Williams maybe to do that. I'm not sure if you just pay the minimum scheduled payment to term, it's probably, it's certainly under 18 months because it's not a declining balance.

You have minimum or scheduled payment is based on a high water mark balance since the last time it was zero because customers pay, in general or a significant proportion of them, more than the minimum scheduled payment. That's what brings us down to our average collection period of around eight months. So we're in the 12.5% collection of the book each month.

A few customers or some who just who say, great, here's my $1,000 purchase. I'm not sure what the payment is but if its $80 or something, we just do the math and finance charge is added on. That's very different, again, from the declining payment. You can get a bill from some others that says you have a thousand dollar balance and the minimum payment is $10.

Not in our world. We want to keep the receivable assets turning, that increases productivity. It's back into the store IRR. Calculation, frankly, frees up the customer open to buy. That 3.5 times lifetime value is real important.

Craig Albert - *Sheffield Partners - Portfolio Manager*

Thank you Bob. I have two questions. One was a philosophically, are you trying to recover this income maybe across the rest of the business through changes in your pricing philosophy or is this something where it's status quo and this is just where it falls out?

Bob Trabucco - *Signet Jewelers Ltd - EVP, CFO - US*

It's the latter. Although, we did what we could to mitigate the direct impact of credit but we're not going to penalize the customer or merchandising because of the change in credit law. The entire pricing, and it's both written, we can talk about that more another time but that's going to be contingent upon the competitive environment, the product.

It's all about the merchandising. There has not been any conversation about, gee, we need to raise prices because $15 million to $20 million short on finance charge income. We took the hit and managed it into the budgeting process and like always, we'll look to maximize every aspect of the business. This is just one source of revenue which is no longer available to us in the amount that it previously was. Again, not insignificant but it's not that unmanageable.

Craig Albert - *Sheffield Partners - Portfolio Manager*

Great, thank you. Then the second question was is there an argument to be made given the contraction in credit that you referred to CITI and the others that this law is actually MTV positive for Signet such that it further contracts credit to your competitors and actually gains you more market share over time?

Bob Trabucco - *Signet Jewelers Ltd - EVP, CFO - US*

Again, we're not out there wielding the competitive values of our credit offering as a means to differentiate. We have the light program that serves the jewelry customer and again, the NPV-positive here is going to be driven with efforts on sales and marketing and not just on receivables.

As the competition struggles and perhaps are no longer able to offer credit, does that potential imply that consumers are now not able to purchase there and that since they need that financing and we saw it in the slides that a significant portion don't

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

show voluntary elect to use the additional private label open to buy, but need it. And those customers, presumably, will have to go find a retailer or an institution that will help them finance their purchases and we invite them to apply.

Craig Albert - *Sheffield Partners - Portfolio Manager*

Maybe if I could ask it differently. Would you expect there to be incremental reductions in credit provided to your competitors by third parties as a result of (inaudible)?

Bob Trabucco - *Signet Jewelers Ltd - EVP, CFO - US*

I don't know. The bank and believe me, I'm not the expert. There's plenty of bankers in the room that could speak to this better. The banks going to have to do what the bank does to achieve rates of return and whether it's change in fees to the merchant, other fees to the consumer or how they change their approval, they're going to have to do what they need to do to best support their business needs. I really couldn't speculate.

We're going to worry about what we're going to do drive sales and profit.

Craig Albert - *Sheffield Partners - Portfolio Manager*

Thank you.

Unidentified Audience Member

Hi Bob, I just have a couple of quick questions. The API you called out in the slide deck around 20%. Is that a gross number as in what people are charged statutory or is that the net of the 25% of the portfolio that carried the zero inclusive of fees, all that kind of stuff?

Bob Trabucco - *Signet Jewelers Ltd - EVP, CFO - US*

Easy answer, gross.

Unidentified Audience Member

Okay, thank you.

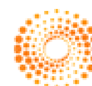
Unidentified Audience Member

Could have saved me a few sentences. A couple other follow ups and interrupt me if you already know the answer. How much has that changed over the last few years?

Bob Trabucco - *Signet Jewelers Ltd - EVP, CFO - US*

Not significantly. We have generally been at or near the states usury laws. It hasn't moved really significantly; kind of in the low 20's.

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

Unidentified Audience Member

If I make an assumption about the cost of money that you charge the portfolio in terms of how you would do that and looking at your loss rate and assuming that some of those 25 to 30s are zero money. Meaning they're essentially creating no interest income for you guys. Did your portfolio ultimately swing to a loss-making position over the last 12 months from a profit-making position?

Bob Trabucco - *Signet Jewelers Ltd - EVP, CFO - US*

No, the reason why the portfolio's really swung into a loss making position is because of the increase in bad debt losses.

Unidentified Audience Member

Right, but it did actually go negative. The earnings contribution so to speak actually went -- when you load it with lots of money?

Bob Trabucco - *Signet Jewelers Ltd - EVP, CFO - US*

If you take our total call it credit related revenues, finance charges and late fees less the bad debt expense and frankly the cost. Well if you're going on the tour, you'll see that we have a significant operation here as anyone with a $1 billion portfolio would.

But taking all of those costs, including some allocated cost of IT and the notional interest charge, that's when we would generally break even to slightly positive. So the receivable took care of itself and all of our net profit was obviously earned on the merchandise margin. It's become a loss of $15 million. This year obviously will be partly because of the change in TILA, but in the past year when TILA was not in effect, it was due just to higher experience losses.

Unidentified Audience Member

Then just the last question as a follow up to all of that; when you think about declaring or looking for the edge of losses in a credit portfolio of 90 days, delinquency tends to obviously be where a lot of credit card companies would consider either default of re-aging. Whatever they want to do, however they want to process that.

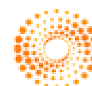
My question is when you think about the behavior of the receivables, you guys have a much shorter duration versus a car or a home or even revolving credit which may not have an explicitly life. You're turning your books so quickly, is 90 days too long, because by the time you realize that persons at 90 days, they're almost 50% into what would have theoretically been the average persons' payoff period. So could you or should you think about shortening that leash a little bit so that you don't have a propped adverse credit performance?

Bob Trabucco - *Signet Jewelers Ltd - EVP, CFO - US*

The answer is I don't believe it is at all necessary for us to shorten the leash and the reason for that is because this provisioning policy has been in effect for many, many years. At the end of the day, you take their provisioning policy and you also compare it to what is charged off.

If they're at the same thing, you've got to change the provisioning policy. As we said to Rick's question earlier about the allowance account, as you look at the book at the end of the year, is that allowance with [DAYO] accounts still adequate at the end of the year of the most difficult economic environment in our lifetime? The answer was it was just fine. So the provisioning policy is really withstood the test of time and the variability of the economic cycle.

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



William Maffie - *Adage Capital Management - Analyst*

I wanted clarification on the chart or page 101 where you showed the net bad debt as a percentage of total sales. That's also obviously generated from your credit card operation. Has your credit card operation always been 50% to 55% of sales over that ten years or however far back you go?

Bob Trabucco - *Signet Jewelers Ltd - EVP, CFO - US*

Another easy answer. Yes, probably, perhaps.

William Maffie - *Adage Capital Management - Analyst*

Thank you.

Bob Trabucco - *Signet Jewelers Ltd - EVP, CFO - US*

With that we'll turn to Bill Montalto, Chief Operating Officer.

PRESENTATION

Bill Montalto - *Signet Jewelers Ltd - EVP, COO - US*

Good morning everybody, it's still morning. It's great to be presenting to you today. As you've seen from the other presenters this morning, managing a retail business is a very complex operation and therefore it is a competitive advantage to have superior systems that enable or enhance the customer experience and the operational execution for all aspects of the business.

Through the Company's size and skill we have the resources to invest in technology that is tailored to support our specific industry needs. Let me tell you, believe me when I tell you that the retail jewelry industry is different in many areas of the systems portfolio.

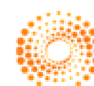
We also have the leverage to negotiate sectary exclusive software usage rights that continue to keep us ahead of the competition. These sectary leading systems allow us to provide the best customer experience in the jewelry industry, deliver better gross margins than our competitors, more effectively and efficiently manage our inventories, leverage our understanding of our customers through our sophisticated customer relationship systems and finally, to improve our sales line that Bob talked about while limiting risk through our customer private label credit systems.

Our portfolio is made up of highly integrative retail jewelry systems that based on open technologies, both hardware and software and best practice standards.

The application portfolio includes both commercial software as well as customer built solutions. This infrastructure provides both a scalable and flexible technology solution that supports a dynamic and growing business.

Now we've divided the portfolio into four different categories; the franchise and merchandise and supply chain systems which supports all aspects of the merchandise supply chain from forecasting, assortment planning, inventory control, manufacturing and diamond sourcing. All the way through to the distribution center that some of you will visit this afternoon.

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

Next, in best class retail systems which include a rich transaction set of jewelry retail and back-office systems which support our stores. Examples are the sortation system, corner sell, instant credit, warranty repair and special order management.

Then Brick and Click Multi Channel Marketing systems with support of multichannel business model that ensures our customers receive a consistent superior customer experience regardless of where they shop.

The final component is business analytics and Internet hit off as administrative systems which provide strong business intelligence insight as well as human resources and financial control systems.

What I'd like to do today, is I'd like to highlight three systems that differentiate us from our competition. It's our store execution system, next merchandise assortment planning and then our new Design-A-Ring capability.

Our store execution system supports our leadership position in field execution, communication, and training. The system provides consistent management reporting for all performance metrics within our 1,349 stores.

This system automatically flags stores not achieving performance standards. The store managers and district managers can quickly take corrective action. The system uses an easy to use electronic task list to organize home office assigned store task or task automatically generated when key performance metrics are not being met such as the need for more training.

All assignments provide for detailed instruction within the task to allow for a step by step consistent execution regardless of the store or the personal experience level. The system also provides for immediate feedback loop including escalation for critical tasks not completed or for those missing required equipment. For example a display kit that may be missing from a product launch.

Now let's take a closer look at some of this functionality. All reporting is delivered electronically to stores over high speed broadband connections. For example, store standards which highlight performance and all key store metrics is delivered daily and provides daily, weekly, monthly and yearly performance reporting.

The illustration in the slide shows in red store staff who are missing their standard in sales. An actual report would show several other metrics monitored daily such as ESP, performance against standard ESP being our extended service plan.

The system wanted to text variances from key metrics generates a specially designed work steps where tasks that need to be completed to help the store or the individual improve performance for this standard.

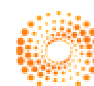
As I said before, in many cases these take the form of one on ones or increased required training.

Next, the system utilizes an inbox that's similar to Microsoft mail but is simpler and easier to use. Each use a store manager or district manager or home office support has their own inbox, and task in the inbox include the status, the start, and the due dates.

Each task has its own unique set of details or instructions and these can be step-by-step instructions or they can include attachments and links to other information or systems for that matter. I talked about the displays, the display components, these can also show you diagrams and how we want the system lay out in the store, how it should be laid out in the cases, the actual visual display components.

Finally, the system has a process monitor which provides each user a summary and status of projects that are responsible for with a roll up by management hierarchy. This provides a dashboard for field management review of cash completion and rollup allows management by exception thereby greatly expanding the span of control.

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

The system also provides a drill down for each task into the particular store or the repair shop to report any comments or problems preventing task completions. I'm going to go back to my example of that missing component for a product launch. So it could tell us that, and we would know immediately and then ship that component that they're missing in order to complete the setup.

The next system in the portfolio that I'd like to highlight is our assortment planning system. This system provides the underpins of our plural merchandise strategy and allows us to micro-assort each store based on the stores potency to sell differing jewelry products and price points.

This system allows us to optimize GMROI or gross margin return on investment by category and by store as well as providing the capability to identify emerging trends and react accordingly. This system also supports our ability to test and launch new product in selected markets, stores and brands.

Now at the core of the system is a product bill of material which provides extensive details on the component makeup of an item such as the amount, the quality, and the size of diamonds in the product. This in combination with the assignment of product attributes gives us the ability to cluster products or group them in ways that can then be analyzed for assortment management.

An example of an attribute could be white gold with a price point of $99. An example of a grouping could be all white gold necklaces, $99 without diamonds. Now, we call these groupings attribute clusters or our terminology ATCs.

We also cluster our stores based on sales volumes within each product cluster. This is an important concept because it allows stores to be assorted based on how they perform within product groupings. We can react to performance in these categories differently for each store.

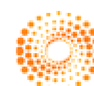
For example, a store may sell at an A level in solitaires but at a C level in gold. So if we assured them on their overall sales volume, for example, let's say the total store was a B class, we'd obviously be missing opportunities in different product groupings, different product categories and that's why we do it this way.

The build-a-material detail and ATC concept underpin all of our merchandising and supply chain systems. For example our manufacturing and diamond sourcing capabilities leverage incentivization along with the associated product projection or sales projection to help us source those diamonds or about 45% of the diamond jewelry that we stock.

Well move on to our Design-A-Ring capability. It's offered in Jared online through www.jared.com and it can be accessed by the way in store. This system offers a virtual assortment of over 15,000 certified diamonds and when we use the term virtual, we mean that we don't own the inventory or hold the inventory. It's instead owned and held by our vendor partners and available to us on demand.

Unlike any other jewelry competitor, our customers have the ability to examine the actual diamond that they're considering for purchase through a trademarked virtual loop technology. We're the only US Brick and Click retailer who has this trademark capability.

Our objective here is to instill confidence in Jared by providing as much information as possible in as transparent a way as possible. Therefore, the virtual loop closely emulates the same experience a guest has viewing a loose diamond in store through the gem scope or through a hand-held loop with similar magnification of the diamond. Now once ordered by the customer, the loose diamond can be assembled in a diamond mounting and delivered to the customer's home or it can be sent to the store for customer pickup.



THOMSON REUTERS

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

Before I leave this slide, I'd like to point out that we're currently working with several other vendor partners in different merchandise categories to provide a virtual inventory capability and we plan on having that capability up before Christmas of 2010. Of course, that's going to widen our assortment of product available to us.

If you were to video ship it from the www.jared.com website showing the screen that a customer starts with to select a loose diamond, in this case a one-third carat diamond priced at $1,325. The order shows a customer clicking on the diamond to bring up the securitization certificate.

Now you see the actual diamond that's being examined using our virtual loop technology. Specifically, the loop is designed to show the diamond's inclusion where the flaws according to the grazing certificate for that particular diamond.

I want to emphasize again that having this capability increases the customer's confidence in their purchase from our virtual inventory. Our customer's tell our stores that they felt more comfortable purchasing a diamond from a website that shows their diamond in magnification and detail.

This also plants seeds of doubt about other online retail competitors that don't have this unique capability, plus we believe the virtual loop's a strong point of different from our competitors and it greatly improves the customer experience.

It also reduces the number of returned diamonds that we experience because customers are more sure of the quality before placing an order from us.

What I'd like to say before I leave the virtual loop, but apparently everybody left the virtual loop is that from the day we went live, I want to emphasize this again, from the day we went live with our virtual loose diamond assortment of our in store sales of loose diamonds shot up, shot up through the roof. What that does, it underscores that many customers like to research this very important purchase online but buy in store.

So in summary, our systems portfolio provides industry-leading system support enabling our people to provide a superior customer experience. Our portfolio of systems is designed to improve productivity of our field and home office associates, our solutions are highly integrated and we have the flexibility to be responsive to new opportunities.

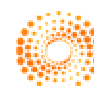
The portfolio is highly adapted to support the jewelry sector, and of course we'll continue to invest in further improvements and technologies to drive our business forward. Before I end my presentation, I'm going to revisit two slides that Mark started the morning with; our competitive advantages and our mission.

First, our competitive advantages; I believe we've only just touched on them.. I could have gone on all morning demonstrating to you our superior policies, our processes and our automated systems, and I know that all of the other speakers that were up here today could have done the same thing.

By the way, we're a support team. This afternoon when you visit the stores, you're going to see it all come together in the sale to the customer. This team [ETHOS] is very important because, as you will have seen, this is a very integrated business. All the different apartments work very closely together. We all work to a shared mission.

That mission is first to earn the trust of our customers. Second, the manner in which we treat each other and third our objective which is to achieve a level of return on assets that will motivate investors and lenders to provide capital to help us expand our business, increase our market share and further improve our profitability and last but no means least to continuously improve everything we do. Ladies and gentlemen, that is what this Company is all about. Now I'd be happy to take your questions.

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

QUESTIONS AND ANSWERS

Bill Montalto - *Signet Jewelers Ltd - EVP, COO - US*

Nothing too technical please.

David Wu - *Telsey Advisory Group - Analyst*

With regards to the Design-A-Ring site, can you talk about pricing there and if there's any differential between the prices online versus the brick and mortar end, if there's opportunity to perhaps lower prices on the Internet site?

Bill Montalto - *Signet Jewelers Ltd - EVP, COO - US*

Sure, let me start off by just referencing or going back to what both Mark and George said about our Internet site. Our Internet sites are fully integrated with our store capabilities. It's really one view to the customer.

We really are multichannel, and by that I mean that everything that you see on our site and you see in our stores is very similar and the same. That applies to the pricing.

So the pricing model that you see on the Internet for www.jared.com and those prices are the very same prices you're going to see in store when a customer is in store.

What I'm going to do ask Terry Burman to come back. Thank you very much.

Terry Burman - *Signet Jewelers Ltd - CEO*

Thank you for all of your attention. That's a lot of information packed into about three hours. Just before we break for lunch, I'd like to thank Mark and all the executives for your presentations. I think that they did a great job delivering a lot of information in these last three hours.

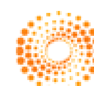
From these presentations, hopefully you've seen that we have a proven and talented management team. We have a return driven approach to investment in all areas of our business, and we have significant, competitive advantages in all the key retail disciplines.

Most importantly about those competitive advantages, we have systems, people and processes embedded in the business in order to execute and bring them out at the store level. We know how to execute and we're very focused on driving those key competitive advantages through to the stores in order to gain market share and gain it profitably.

As a result, we feel that we're poised for profitable long-term growth in our industry by driving sales, productivity and gaining a lot of operating leverage through all of our Company attributes.

So now we're going to break for lunch. It's in the room right next door. There's a seating plan for Sterling executives. I don't know; what are we at each table? Is that what it is? You're free to sit wherever you wish. Are they supposed to choose their favorites or they can sit wherever you want. You can just sit where you want. It's not a popularity contest.

At 12.30 we'll have time for some questions. Thank you for your attention.



THOMSON REUTERS

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

DISCLAIMER

Thomson Reuters 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 REUTERS 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.

©2010, Thomson Reuters. All Rights Reserved.

©2010 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS