Signet Reports 68.9% increase in EPS for Second Quarter Driven by a 9.9% Rise in Same Store Sales

August 25, 2011 11:17 AM ET

HAMILTON, BERMUDA--(Marketwire - Aug 25, 2011) - Signet Jewelers Limited ("Signet") (NYSE: SIG) (LSE: SIG), the world's largest specialty retail jeweler, today announced its results for the 13 weeks ended July 30, 2011 ("Second Quarter Fiscal 2012[1]") and for the 26 weeks ended July 30, 2011.

Second Quarter Fiscal 2012 Highlights

- **Same store sales: up 9.9%**
- **Total sales: $797.6 million, up 10.8%**
- **Income before income taxes: $99.8 million, up $45.1 million or 82.4%**
- **Basic and diluted earnings per share: $0.77 and $0.76, up $0.32 and $0.31 or 71.1% and 68.9%, respectively**
- **Increased free cash flow[2] guidance to $175 million to $225 million**

Mike Barnes, Chief Executive Officer, commented: "I am pleased to announce record results for the second quarter reflecting the ongoing success of our strategies to present differentiated and sought-after product ranges, develop compelling branded offerings, provide a superior in-store customer experience and execute inspiring marketing campaigns. This powerful combination drove a 9.9% increase in same store sales, a 430 basis point increase in operating margin and a 68.9% rise in diluted earnings per share as compared to the second quarter last year. During the quarter, our branded jewelry initiatives drove strong US same store sales performance and assisted our UK division's sales to outperform a challenging retail marketplace. I would like to thank all team members at Signet who contributed to this great performance.

Reflecting the strength of our business model and its cash flow, we are pleased to announce that the Board has declared a quarterly dividend of 10 cents a share."

Conference Call

There will be a conference call today at 8:30 a.m. Eastern Time (1:30 p.m. BST and 5:30 a.m. Pacific Time) and a simultaneous audio webcast and slide presentation available at http://www.signetjewelers.com/. The slides are available to be downloaded from the website ahead of the conference call. To help ensure the conference call begins in a timely manner, all participants should dial in 5 to 10 minutes prior to the scheduled start time. The call details are:

US dial-in:	+1 (212) 444 0896	Access code: 5889845
European dial-in:	+44 (0)20 7806 2056	Access code: 5889845

A replay of the conference call and a transcript of the call will be posted on Signet's website as soon as is practical after the call has ended and will be available for one year.

(1) Fiscal 2011 is the year ended January 29, 2011 and Fiscal 2012 is the year ending January 28, 2012.
(2) Non-GAAP measure, see Note 3.

RESULTS OVERVIEW

The strong results for the Second Quarter of Fiscal 2012 were led by a same store sales increase of 9.9% (Second Quarter Fiscal 2011: 4.6%), total sales were up by 10.8% to $797.6 million (Second Quarter Fiscal 2011: $719.7 million) and operating margin improved by 430 basis points to 12.8% (Second Quarter Fiscal 2011: 8.5%). As a result, income before income taxes and diluted earnings per share rose to $99.8 million (Second Quarter Fiscal 2011: $54.7 million) and $0.76 (Second Quarter Fiscal 2011: $0.45), up by 82.4% and by 68.9%, respectively.

Free cash flow for the 26 weeks ended July 30, 2011 was $153.8 million (26 weeks ended July 31, 2010: $240.2 million); non-GAAP measure, see Note 3. Free cash flow for Fiscal 2012 is estimated at $175 million to $225 million, an increase from the previous estimate of $150 million to $200 million. At July 30, 2011, Signet had no long term debt (July 31, 2010: $229.1 million)

and cash and cash equivalents of $440.2 million (July 31, 2010: $485.4 million).

RESULTS OF OPERATIONS

Second Quarter Fiscal 2012

Sales and operating income

In the Second Quarter of Fiscal 2012, Signet's same store sales were up 9.9%, compared to an increase of 4.6% in the Second Quarter of Fiscal 2011. Total sales were $797.6 million (Second Quarter Fiscal 2011: $719.7 million), up by $77.9 million or 10.8%. The breakdown of the sales performance is set out in Table 1 below.

Table 1	**Second Quarter Fiscal 2012**		
	US	**UK**	**Signet**
Sales, million	**$ 643.0**	**$ 154.6**	**$ 797.6**
% of total	80.6%	19.4%	100.0%
	US %	**UK %**	**Signet %**
Change in same store sales	12.2	1.4	9.9
Change in store space	(0.9)	(1.3)	(0.9)
Total change in sales at constant exchange rates[1]	11.3	0.1	9.0
Exchange translation impact	--	8.7	1.8
Change in sales as reported	11.3	8.8	10.8

(1) Non-GAAP measure, see Note 3.

In the Second Quarter of Fiscal 2012, Signet's gross margin was $294.8 million (Second Quarter Fiscal 2011: $237.2 million), up by $57.6 million or 24.3%. The gross margin rate increased by 400 basis points to 37.0% (Second Quarter Fiscal 2011: 33.0%), with the gross merchandise margin up 90 basis points. The US division's gross merchandise margin was up 110 basis points compared to the second quarter of Fiscal 2011 and benefited from selective price increases and reduced discounting, which more than offset higher commodity costs. The UK division's gross merchandise margin declined by 40 basis points, with the impact of an increase in the cost of commodities, and a higher value added tax rate, being largely offset by a number of price increases.

Gross margin also benefited from an improved net bad debt to total US sales ratio compared to the Second Quarter of Fiscal 2011 and leverage on store occupancy costs in the US division. The net bad debt to total US sales ratio was 4.4% (Second Quarter Fiscal 2011: 5.2%). In-house customer finance participation in the US division was 57.7% (Second Quarter Fiscal 2011: 56.3%).

For the Second Quarter of Fiscal 2012, selling, general and administrative expenses were $224.5 million (Second Quarter Fiscal 2011: $203.7 million), up by $20.8 million or 10.2%. The major contributing reasons for the increase were as follows: increased net advertising investment of $4.0 million; $3.5 million was attributable to currency fluctuations; $1.5 million to higher 401(k) contributions; $7.6 million of the remaining increase was as a result of store staff costs, which flexed with sales, and the balance primarily reflected increased investment in IT and credit infrastructure.

In the Second Quarter of Fiscal 2012, other operating income increased by $4.8 million to $32.0 million (Second Quarter Fiscal 2011: $27.2 million), up by 17.6%. This reflected increased interest income earned from higher outstanding receivables balances.

In the Second Quarter of Fiscal 2012, net operating income increased by $41.6 million to $102.3 million (Second Quarter Fiscal 2011: $60.7 million), up 68.5% over the Second Quarter of Fiscal 2011. The US division's net operating income increased by $43.7 million to $104.4 million (Second Quarter Fiscal 2011: $60.7 million), up 72.0%, while net operating income in the UK division decreased by $1.9 million to $2.8 million, down by 40.4% (Second Quarter Fiscal 2011: $4.7 million, including a gain of $0.9 million on a real estate disposal).

Operating margin increased by 430 basis points to 12.8% (Second Quarter Fiscal 2011: 8.5%). The US division's operating margin was up 570 basis points to 16.2% (Second Quarter Fiscal 2011: 10.5%) and that of the UK division declined by 150 basis points to 1.8% (Second Quarter Fiscal 2011: 3.3%).

Interest expense, net
In the Second Quarter of Fiscal 2012, net interest expense was $2.5 million (Second Quarter Fiscal 2011: $6.0 million), including a write-off of $1.3 million of unamortized deferred financing fees related to the termination of the prior revolving credit facility. The decrease was due to the prepayment of private placement notes during Fiscal 2011.

Income before income taxes
For the Second Quarter of Fiscal 2012, income before income taxes increased by $45.1 million to $99.8 million (Second Quarter Fiscal 2011: $54.7 million), up by 82.4%.

Income taxes
Income tax expenses in the Second Quarter of Fiscal 2012 were $33.5 million (Second Quarter Fiscal 2011: $16.0 million), an effective tax rate of 33.6%, which reflects the favorable recognition of $1.9 million previously unrecognized tax benefits in the second quarter of Fiscal 2012 (Second Quarter Fiscal 2011: 29.3%, included the favorable recognition of $4.5 million previously unrecognized tax benefits). The anticipated effective tax rate for Fiscal 2012 is approximately 35.5% (Fiscal 2011: 33.3%), which reflects the recognition of the above $1.9 million unrecognized tax benefit.

Net income
Net income for the Second Quarter of Fiscal 2012 increased by $27.6 million to $66.3 million (Second Quarter Fiscal 2011: $38.7 million), up by 71.3%.

Earnings per share
For the Second Quarter of Fiscal 2012, basic and diluted earnings per share were $0.77 and $0.76, respectively (Second Quarter Fiscal 2011: both $0.45), an increase of 71.1% and 68.9%, respectively.

26 weeks ended July 30, 2011

Sales and operating income
In the 26 weeks ended July 30, 2011, Signet's same store sales were up 10.1%, compared to a rise of 5.3% in the 26 weeks ended July 31, 2010. Total sales were $1,684.9 million (26 weeks ended July 31, 2010: $1,525.1 million), up by $159.8 million or 10.5%. The breakdown of the sales performance is set out in Table 2 below.

Table 2

	26 weeks ended July 30, 2011		
	US	**UK**	**Signet**
Sales, million	**$ 1,381.0**	**$ 303.9**	**$ 1,684.9**
% of total	82.0%	18.0%	100.0%
	US %	**UK %**	**Signet %**
Change in same store sales	12.4	0.8	10.1
Change in store space	(1.0)	(1.4)	(1.1)
Total change in sales at constant exchange rates[1,2]	11.4	(0.6)	9.0
Exchange translation impact[2]	--	7.3	1.5
Change in sales as reported	11.4	6.7	10.5

(1) The average US dollar to pound sterling exchange rate for the 26 weeks ended July 30, 2011 was $1.62 (26 weeks ended July 31, 2010: $1.51).
(2) Non-GAAP measure, see Note 3.

In the 26 weeks ended July 30, 2011, Signet's gross margin was $644.5 million (26 weeks ended July 31, 2010: $530.8 million), up by $113.7 million or 21.4%. The gross margin rate increased by 350 points to 38.3% (26 weeks ended July 31, 2010: 34.8%).

In the 26 weeks ended July 30, 2011, selling, general and administrative expenses increased by $46.1 million to $488.3 million (26 weeks ended July 31, 2010: $442.2 million), up by 10.4%. Year to date, selling, general and administrative expenses as a percentage of sales remained unchanged compared to the comparable period in Fiscal 2011. The major contributing reasons for the increased expenses were as follows: increased net advertising investment of $10.6 million; $6.1 million was attributable to currency fluctuations; $3.0 million to higher 401(k) contributions; $15.8 million of the remaining increase was a result of store staff

costs, which flexed with sales, and the balance primarily reflected increased investment in IT and credit infrastructure.

In the 26 weeks ended July 30, 2011, other operating income increased by $9.9 million to $64.8 million (26 weeks ended July 31, 2010: $54.9 million), up by 18.0%.

In the 26 weeks ended July 30, 2011, net operating income increased by $77.5 million to $221.0 million (26 weeks ended July 31, 2010: $143.5 million), up 54.0%. The US division's net operating income increased by $81.5 million to $230.6 million (26 weeks ended July 31, 2010: $149.1 million), up 54.7%, while net operating income of the UK division decreased by $0.7 million to $2.6 million (26 weeks ended July 31, 2010: $3.3 million), down 21.2%.

Operating margin increased by 370 basis points to 13.1% (26 weeks ended July 31, 2010: 9.4%). The US division's operating margin was up by 470 basis points to 16.7% (26 weeks ended July 31, 2010: 12.0%) and that of the UK division declined by 30 basis points to 0.9% (26 weeks ended July 31, 2010: 1.2%).

Interest expense, net
In the 26 weeks ended July 30, 2011, net interest expense was $3.4 million (26 weeks ended July 31, 2010: $14.7 million), including a write-off of $1.3 million of unamortized deferred financing fees related to the termination of the prior revolving credit facility.

Income before income taxes
In the 26 weeks ended July 30, 2011, income before income taxes increased by $88.8 million to $217.6 million (26 weeks ended July 31, 2010: $128.8 million), up 68.9%.

Income taxes
In the 26 weeks ended July 30, 2011, income tax expenses were $75.9 million (26 weeks ended July 31, 2010: $39.8 million), an effective tax rate of 34.9% (26 weeks ended July 31, 2010: 30.9%).

Net income
In the 26 weeks ended July 30, 2011, net income increased by $52.7 million to $141.7 million (26 weeks ended July 31, 2010: $89.0 million), up 59.2%.

Earnings per share
In the 26 weeks ended July 30, 2011, basic and diluted earnings per share were $1.64 and $1.63 (26 weeks ended July 31, 2010: $1.04 and $1.03), an increase of 57.7% and 58.3%, respectively.

DIVISIONAL REVIEW

US division (about 80% of annual sales)
In the Second Quarter of Fiscal 2012, the US division's sales were $643.0 million (Second Quarter Fiscal 2011: $577.7 million), up by $65.3 million or 11.3%. Same store sales increased by 12.2% compared to a rise of 6.0% in the Second Quarter of Fiscal 2011. See Table 3 below for further analysis of sales.

Table 3
Second Quarter Fiscal 2012

	Sales	Average unit selling price[1]	Change from previous year: Total sales	Same store sales	Average unit selling price[1]
Kay	$ 367.5m	$ 391	13.5%	13.5%	12.0%
Jared	$ 213.8m	$ 834	12.7%	12.6%	8.6%
Regional Brands	$ 61.7m	$ 401	(4.1)%	4.0%	13.3%
US division	**$ 643.0m**	**$ 462**	**11.3%**	**12.2%**	**13.5%**

(1) Excludes the charm bracelet category, a product with an average unit selling price considerably lower, and a multiple purchase and frequency of purchase much greater, than products historically sold by the division.

In the 26 weeks ended July 30, 2011, the US division's sales were $1,381.0 million (26 weeks ended July 31, 2010: $1,240.2 million), up $140.8 million or 11.4%. Same store sales increased by 12.4% compared to a rise of 6.7% in the 26 weeks ended

July 31, 2010. See Table 4 below for further analysis of sales.

Table 4 **26 weeks ended July 30, 2011**	**Sales**	**Average unit selling price[1]**	**Change from previous year** **Total sales**	**Same store sales**	**Average unit selling price[1]**
Kay	$ 802.9m	$ 374	13.5%	13.7%	11.6%
Jared	$ 441.6m	$ 815	12.7%	12.2%	7.9%
Regional Brands	$ 136.5m	$ 392	(3.0)%	5.3%	13.6%
US division	**$ 1,381.0m**	**$ 442**	**11.4%**	**12.4%**	**12.5%**

(1) Excludes the charm bracelet category, a product with an average unit selling price considerably lower, and a multiple purchase and frequency of purchase much greater, than products historically sold by the division.

Stores opened and closed in the 26 weeks ended July 30, 2011, together with planned changes for the balance of Fiscal 2012 are set out in Table 5 below.

Table 5	**Kay Mall[1]**	**Kay Off-Mall**	**Regional Brands**	**Jared[2]**	**Total**	**Annual Net Space Change**
January 29, 2011	**780**	**128**	**229**	**180**	**1,317**	**(2)%**
Opened	4	4	--	--	8	
Closed	(5)	(1)	(5)	--	(11)	
July 30, 2011	**779**	**131**	**224**	**180**	**1,314**	
Openings, planned	5	7	--	3	15	
Closures, planned	(4)	(4)	(16)	--	(24)	
January 28, 2012	**780**	**134**	**208**	**183**	**1,305**	**0%**

(1) Includes stores in downtown locations.

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

UK division (about 20% of annual sales)

In the Second Quarter of Fiscal 2012, the UK division's sales were $154.6 million (Second Quarter Fiscal 2011: $142.0 million), up by $12.6 million or 8.8%. Sales rose by 0.1% at constant exchange rates; non-GAAP measure, see Note 3. Same store sales increased by 1.4%, compared to a decline of 0.5% in the Second Quarter of Fiscal 2011. See Table 6 below for further analysis of sales.

Table 6 **Second Quarter Fiscal 2012**	**Sales**	**Average unit selling price[1,2]**	**Total sales**	**Change from previous year** **Sales at constant exchange rates[3,4]**	**Same store sales**	**Average unit selling price[2]**
H.Samuel	$ 81.4m	£62	10.8%	1.9%	3.3%	6.9%
Ernest Jones[5]	$ 73.2m	£276	6.7%	(1.8)%	(0.7)%	5.7%
UK division	**$ 154.6m**	**£99**	**8.8%**	**0.1%**	**1.4%**	**5.3%**

(1) The average unit selling price[2] for H.Samuel was $100, for Ernest Jones was $447 and for the UK division was $161.

(2) Excludes the charm bracelet category, a product with an average unit selling price considerably lower, and a multiple purchase and frequency of purchase much greater, than product historically sold by the division.

(3) Non-GAAP measure, see Note 3.

(4) The exchange translation impact on the total sales of H.Samuel was 8.9%, and for Ernest Jones was 8.5%.

(5) Includes stores selling under the Leslie Davis nameplate.

In the 26 weeks ended July 30, 2011, the UK division's sales were $303.9 million (26 weeks ended July 31, 2010: $284.9 million), up $19.0 million or 6.7%. Sales were down 0.6% at constant exchange rates; non-GAAP measure, see Note 3. Same store sales increased by 0.8%, compared to a decline of 0.4% in the 26 weeks ended July 31, 2010. See Table 7 below for

further analysis of sales.

Table 7				**Change from previous year**		
26 weeks ended July 30, 2011	**Sales**	**Average unit selling price[1,2]**	**Total sales**	**Sales at constant exchange rates[3,4]**	**Same store sales**	**Average unit selling price[2]**
H.Samuel	$ 160.9m	£61	8.7%	1.3%	3.0%	7.0%
Ernest Jones[5]	$ 143.0m	£277	4.4%	(2.7)%	(1.6)%	7.8%
UK division	**$ 303.9m**	**£98**	**6.7%**	**(0.6)%**	**0.8%**	**6.5%**

(1) The average unit selling price[2] for H.Samuel was $99, for Ernest Jones was $449 and for the UK division was $159.

(2) Excludes the charm bracelet category, a product with an average unit selling price considerably lower, and a multiple purchase and frequency of purchase much greater, than product historically sold by the division.

(3) Non-GAAP measure, see Note 3.

(4) The exchange translation impact on the total sales of H.Samuel was 7.4%, and for Ernest Jones was 7.1%.

(5) Includes stores selling under the Leslie Davis nameplate.

Stores opened and closed in the 26 weeks ended July 30, 2011, together with planned changes for the balance of Fiscal 2012, are set out in Table 8 below.

Table 8	**H.Samuel**	**Ernest Jones[1]**	**Total**	**Annual Net Space Change**
January 29, 2011	**338**	**202**	**540**	**(2)%**
Opened	--	--	--	
Closed	(2)	(2)	(4)	
July 30, 2011	**336**	**200**	**536**	
Openings, planned	7[2]	2	9	
Closures, planned	(6)	(4)[2]	(10)	
January 28, 2012	**337**	**198**	**535**	**0%**

(1) Includes stores selling under the Leslie Davis nameplate.

(2) Includes one Ernest Jones store to be rebranded as H.Samuel.

Signet operated 1,850 specialty retail jewelry stores at July 30, 2011, these included 1,314 stores in the US, where its store concepts include "Kay Jewelers", "Jared The Galleria Of Jewelry" and a number of regional names. At the same date, Signet also operated 536 stores in the UK, where its store concepts are "H.Samuel," "Ernest Jones," and "Leslie Davis". Further information on Signet is available at www.signetjewelers.com . See also www.kay.com , www.jared.com , www.hsamuel.co.uk , and www.ernestjones.co.uk.

Investor Relations Program Details

Goldman Sachs Consumer Conference, New York

Signet will be taking part in the Goldman Sachs Consumer Conference in New York on Thursday, September 8, 2011. Present will be Mike Barnes, Chief Executive Officer, and Ron Ristau, Chief Financial Officer. A link to the question and answer session, which is scheduled for 1:30 p.m. Eastern Time, will be available on http://www.signetjewelers.com/.

Citi Consumer Conference, London, UK

Signet will be attending the Citi Consumer Conference, in London, UK on Tuesday, September 13, 2011. Present will be Tim Jackson, Investor Relations Director.

IR Day and Store Visits, New York

Signet will be hosting an IR Day and store visits for professional investors in New York on Tuesday, October 4, 2011. Details will be available on http://www.signetjewelers.com/.

Third Quarter Results
The Third Quarter results for the 13 weeks ending October 29, 2011 are expected to be announced on Tuesday, November 22, 2011.

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

For a discussion of these and other risks and uncertainties which could cause actual results to differ materially, see the "Risk Factors" section of Signet's Fiscal 2011 Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission on March 30, 2011. Actual results may differ materially from those anticipated in such forward-looking statements. Signet undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances, except as required by law.

Condensed Consolidated Income Statements
(Unaudited)

	13 weeks ended		26 weeks ended	
	July 30, 2011	July 31, 2010	**July 30, 2011**	July 31, 2010
	$ million	$ million	**$ million**	$ million
Sales	**797.6**	719.7	**1,684.9**	1,525.1
Cost of sales	**(502.8)**	(482.5)	**(1,040.4)**	(994.3)
Gross margin	**294.8**	237.2	**644.5**	530.8
Selling, general & administrative expenses	**(224.5)**	(203.7)	**(488.3)**	(442.2)
Other operating income, net	**32.0**	27.2	**64.8**	54.9
Operating income, net	**102.3**	60.7	**221.0**	143.5
Interest expense, net	**(2.5)**	(6.0)	**(3.4)**	(14.7)
Income before income taxes	**99.8**	54.7	**217.6**	128.8
Income taxes	**(33.5)**	(16.0)	**(75.9)**	(39.8)
Net income	**66.3**	38.7	**141.7**	89.0
Earnings per share - basic	**$ 0.77**	$ 0.45	**$ 1.64**	$ 1.04
- diluted	**$ 0.76**	$ 0.45	**$ 1.63**	$ 1.03

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Balance Sheets
(Unaudited)

	July 30, 2011	January 29, 2011	July 31, 2010
	$ million	$ million	$ million
Assets			
Current assets:			

Cash and cash equivalents	**440.2**	302.1	485.4
Accounts receivable, net	**906.8**	935.9	797.2
Other receivables	**29.4**	38.2	25.3
Other current assets	**91.5**	79.2	67.5
Deferred tax assets	**1.6**	2.7	1.8
Inventories	**1,202.8**	1,184.2	1,126.2
Total current assets	**2,672.3**	2,542.3	2,503.4
Non-current assets:			
Property, plant and equipment, net of accumulated depreciation of $648.3 million, $614.4 million and $595.7 million, respectively	**343.3**	351.5	362.1
Other intangible assets, net of accumulated amortization of $36.0 million, $31.3 million, and $27.2 million, respectively	**31.5**	27.5	24.6
Other assets	**62.5**	59.7	57.2
Deferred tax assets	**107.9**	86.0	114.9
Retirement benefit asset	**30.0**	22.8	1.1
Total assets	**3,247.5**	**3,089.8**	**3,063.3**
Liabilities and shareholders' equity			
Current liabilities:			
Loans and overdrafts	**13.1**	31.0	24.9
Accounts payable	**137.5**	125.9	114.7
Accrued expenses and other current liabilities	**244.2**	292.4	241.9
Deferred revenue	**135.9**	146.0	129.0
Deferred tax liabilities	**105.3**	77.1	78.5
Income taxes payable	**44.7**	38.6	34.2
Total current liabilities	**680.7**	711.0	623.2
Non-current liabilities:			
Long-term debt	**--**	--	229.1
Other liabilities	**88.1**	86.6	76.9
Deferred revenue	**359.5**	353.2	342.7
Total liabilities	**1,128.3**	**1,150.8**	**1,271.9**
Shareholders' equity:			
Common shares of $0.18 par value: authorized 500 million shares, 86.9 million shares issued and outstanding (January 29, 2011: 86.2 million shares issued and outstanding; July 31, 2010: 85.7 million shares issued and outstanding)	**15.5**	15.5	15.4
Additional paid-in capital	**210.8**	196.8	174.8
Other reserves	**235.2**	235.2	235.2
Treasury shares	**--**	--	--
Retained earnings	**1,804.0**	1,662.3	1,550.9
Accumulated other comprehensive loss	**(146.3)**	(170.8)	(184.9)
Total shareholders' equity	**2,119.2**	**1,939.0**	**1,791.4**
Total liabilities and shareholders' equity	**3,247.5**	**3,089.8**	**3,063.3**

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	13 weeks ended		26 weeks ended	
	July 30, 2011	July 31, 2010	**July 30, 2011**	July 31, 2010
	$ million	$ million	**$ million**	$ million
Cash flows from operating activities:				
Net income	**66.3**	38.7	**141.7**	89.0

Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation of property, plant and equipment	**20.2**	21.1	**40.6**	43.5
Amortization of other intangible assets	**2.3**	2.0	**4.4**	4.0
Pension	**(2.9)**	(1.9)	**(5.6)**	(3.8)
Share-based compensation	**4.3**	2.2	**7.0**	4.5
Deferred taxation	**(1.9)**	(1.6)	**(2.4)**	3.7
Facility amendment fee amortization and charges	**1.4**	0.3	**1.6**	2.6
Other non-cash movements	**(0.4)**	(1.0)	**(0.5)**	(1.7)
Gain on disposal of property, plant and equipment	**--**	(0.9)	**--**	(0.9)
Changes in operating assets and liabilities:				
(Increase)/decrease in accounts receivable	**(2.7)**	4.6	**29.3**	59.7
(Increase)/decrease in other receivables and other assets	**(5.8)**	0.2	**6.1**	2.5
Decrease/(increase) in other current assets	**0.3**	(1.4)	**8.4**	8.1
Decrease/(increase) in inventories	**17.8**	1.4	**(6.5)**	40.3
(Decrease)/increase in accounts payable	**(7.1)**	9.6	**10.8**	48.1
Increase/(decrease) in accrued expenses and other liabilities	**1.5**	1.9	**(45.8)**	(31.7)
Decrease in deferred revenue	**(7.5)**	(6.7)	**(4.0)**	(3.9)
Increase/(decrease) in income taxes payable	**1.4**	0.6	**6.1**	(10.5)
Effect of exchange rate changes on currency swaps	**(0.4)**	1.3	**0.9**	1.1
Net cash provided by operating activities	**86.8**	**70.4**	**192.1**	**254.6**
Investing activities				
Purchase of property, plant and equipment	**(21.3)**	(6.9)	**(30.1)**	(11.6)
Purchase of other intangible assets	**(4.1)**	(2.9)	**(8.2)**	(4.5)
Proceeds from sale of property, plant and equipment	**--**	1.7	**--**	1.7
Net cash used in investing activities	**(25.4)**	**(8.1)**	**(38.3)**	**(14.4)**
Financing activities:				
Proceeds from issue of common shares	**0.4**	0.2	**4.4**	1.0
Credit facility fees paid	**(1.4)**	--	**(1.6)**	(1.0)
Repayment of short-term borrowings	**(14.3)**	(22.4)	**(18.3)**	(19.3)
Repayment of long-term debt	**--**	--	**--**	(50.9)
Net cash used in financing activities	**(15.3)**	**(22.2)**	**(15.5)**	**(70.2)**
Effect of exchange rate changes on cash and cash equivalents	**--**	(1.8)	**(0.2)**	(0.8)
Cash and cash equivalents at beginning of period	**394.1**	447.1	**302.1**	316.2
Increase in cash and cash equivalents	**46.1**	40.1	**138.3**	170.0
Cash and cash equivalents at end of period	**440.2**	**485.4**	**440.2**	**485.4**

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. Basis of preparation

Signet Jewelers Limited (the "Company") and its subsidiaries (collectively, "Signet") is a leading retailer of jewelry, watches and associated services. Signet manages its business as two geographical segments, being the United States of America (the "US") and the United Kingdom (the "UK"). The US division operates retail stores under brands including Kay Jewelers, Jared The Galleria Of Jewelry and various regional brands, while the UK division's retail stores operate under brands including H.Samuel and Ernest Jones.

These condensed consolidated financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information normally included in financial statements

prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") have been condensed or omitted from this report, as is permitted by such rules and regulations. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes included in Signet's Annual Report on Form 10-K for the year ended January 29, 2011.

Correction of immaterial error

During the third quarter of Fiscal 2011, Signet changed its accounting for extended service plans. Previously, revenue from the sale of extended service plans was deferred, net of direct costs arising from the sale, and was recognized in proportion to the historical actual claims incurred. Signet has conducted a review of the claims cost patterns, including estimates of future claims costs expected to be incurred, and concluded that the deferral period required extension and that claims cost is a more appropriate basis for revenue recognition than the number of claims incurred. In addition, Signet now defers all revenues and recognizes direct costs in proportion to the revenue recognized. These changes are in accordance with ASC 605-20-25. The impact resulted in an overstatement of extended service plan revenue and an understatement of deferred revenue. These plans are only sold by the US division and therefore only affect the US segment reporting.

Signet evaluated the effects individually and in the aggregate and determined that its prior period financial statements were not materially misstated. However, Signet determined that the cumulative effect of adjusting this in the third quarter of Fiscal 2011 would be material to the Fiscal 2011 financial statements. Therefore, Signet adjusted the affected prior periods and presented the results in this quarterly report.

As a result of applying this correction, the following condensed consolidated financial statements were impacted as follows:

Impact on Condensed Consolidated Balance Sheets	**July 31, 2010 $ million**	
	Amounts previously reported	**As corrected**
Assets		
Current assets:		
Other current assets	49.4	67.5
Total current assets	2,485.3	2,503.4
Non-current assets:		
Other assets	9.8	57.2
Deferred tax assets	55.7	114.9
Total assets	2,938.6	3,063.3
Liabilities and Shareholders' Equity		
Current liabilities:		
Deferred revenue	108.8	129.0
Total current liabilities	603.0	623.2
Non-current liabilities:		
Deferred revenue	140.5	342.7
Total liabilities	1,049.5	1,271.9
Total shareholders' equity	1,889.1	1,791.4
Total liabilities and shareholders' equity	2,983.6	3,063.3

Impact on Condensed Consolidated Income Statements	**13 weeks ended July 31, 2010 $ million**		**26 weeks ended July 31, 2010 $ million**	
	Amounts previously reported	**As corrected**	**Amounts previously reported**	**As corrected**
Sales	722.8	719.7	1,532.8	1,525.1
Cost of sales	(483.0)	(482.5)	(996.7)	(994.3)

Gross margin		239.8	237.2	536.1	530.8
Operating income		63.3	60.7	148.8	143.5
Income before income taxes		57.3	54.7	134.1	128.8
Income taxes		(16.6)	(16.0)	(41.4)	(39.8)
Net income		40.7	38.7	92.7	89.0
Earnings per share	- basic	$ 0.47	$ 0.45	$ 1.08	$ 1.04
	- diluted	$ 0.47	$ 0.45	$ 1.07	$ 1.03

Impact on Condensed Consolidated Statements of Cash Flows

	13 weeks ended July 31, 2010 $ million		26 weeks ended July 31, 2010 $ million	
	Amounts previously reported	**As corrected**	**Amounts previously reported**	**As corrected**
Cash flows from operating activities:				
Net income	40.7	38.7	92.7	89.0
Adjustments to reconcile net income to cash provided by operating activities:				
Deferred taxation	(3.8)	(1.6)	2.5	3.7
Changes in operating assets and liabilities:				
Decrease in other current assets	0.5	0.2	4.2	2.5
(Increase)/decrease in other current assets	(1.2)	(1.4)	8.8	8.1
Decrease in deferred revenue	(9.8)	(6.7)	(11.6)	(3.9)
Increase/(decrease) in income taxes payable	3.4	0.6	(7.7)	(10.5)
Net cash provided by operating activities	70.4	70.4	254.6	254.6

2. Foreign currency translation

The exchange rates used in these condensed consolidated financial statements for the translation of UK pound sterling transactions and balances into US dollars are follows:

	26 weeks ended July 30, 2011	52 weeks ended January 29, 2011	26 weeks ended July 31, 2010
Income statement (average rate)	**1.62**	1.55[1]	1.51
Balance sheet (period end rate)	**1.64**	1.59	1.57

(1) Not meaningful to these financial statements as the 52 week income statement is not presented.

The year-to-date average exchange rate is used to prepare the income statement for the 26 weeks ended July 30, 2011 and is calculated from the weekly average exchange rates weighted by sales of the UK division. The income statement for the 13 weeks ended July 30, 2011 is calculated as the difference between the income statement for the 26 weeks ended July 30, 2011 and the previously reported income statement for the 13 weeks ended April 30, 2011. Therefore, the second quarter's income statement includes the impact of the change in the year-to-date exchange rates between these quarter ends.

3. Non-GAAP measures and other information

Income statement as a percentage of sales

A number of non-GAAP measures are used by management to analyze and manage the performance of the business, and the required disclosures for these non-GAAP measures are given below. Management does not, nor does it suggest investors should, consider such non-GAAP measures in isolation from, or in substitute for, financial information prepared in accordance with US GAAP.

	13 weeks ended		26 weeks ended	
	July 30,	July 31,	**July 30,**	July 31,

	2011 %	2010 %	**2011 %**	2010 %
Sales	**100.0**	100.0	**100.0**	100.0
Cost of sales	**(63.0)**	(67.0)	**(61.7)**	(65.2)
Gross margin	**37.0**	33.0	**38.3**	34.8
Selling, general & administrative expenses	**(28.2)**	(28.3)	**(29.0)**	(29.0)
Other operating income, net	**4.0**	3.8	**3.8**	3.6
Operating income, net	**12.8**	8.5	**13.1**	9.4
Interest expense, net	**(0.3)**	(0.9)	**(0.2)**	(1.0)
Income before income taxes	**12.5**	7.6	**12.9**	8.4
Income taxes	**(4.2)**	(2.2)	**(4.5)**	(2.6)
Net income	**8.3**	5.4	**8.4**	5.8

Income statement at constant exchange rates

Movements in the US dollar to pound sterling exchange rate have an impact on Signet's results. The UK division is managed in pounds sterling as sales and costs are incurred in that currency and its results are then translated into US dollars for external reporting purposes. Management believes it assists in understanding the performance of Signet and its UK division if constant currency figures are given. This is particularly so in periods when exchange rates are volatile. The constant currency amounts are calculated by retranslating the prior year figures using the current year's exchange rate. Management considers it useful to exclude the impact of movements in the pound sterling to US dollar exchange rate to analyze and explain changes and trends in Signet's sales and costs.

a) Second quarter Fiscal 2012 percentage change in results at constant exchange rates

	13 weeks ended July 30, 2011 $ million	**13 weeks ended July 31, 2010 $ million**	**Change %**	**Impact of exchange rate movement $ million**	**13 weeks ended July 31, 2010 at constant exchange rates (non-GAAP) $ million**	**Change at constant exchange rates (non-GAAP) %**
US	643.0	577.7	11.3%	--	577.7	11.3%
UK	154.6	142.0	8.8%	12.4	154.4	0.1%
Sales	**797.6**	**719.7**	**10.8%**	**12.4**	**732.1**	**9.0%**
Cost of sales	(502.8)	(482.5)	4.2%	(8.9)	(491.4)	2.3%
Gross margin	**294.8**	**237.2**	**24.3%**	**3.5**	**240.7**	**22.5%**
Selling, general and administrative expenses	(224.5)	(203.7)	10.2%	(3.5)	(207.2)	8.3%
Other operating income, net	32.0	27.2	17.6%	--	27.2	17.6%
Operating income, net	**102.3**	**60.7**	**68.5%**	**--**	**60.7**	**68.5%**
Interest expense, net	(2.5)	(6.0)	58.3%	--	(6.0)	58.3%
Income before income taxes	**99.8**	**54.7**	**82.4%**	**--**	**54.7**	**82.4%**
Income taxes	(33.5)	(16.0)	109.4%	--	(16.0)	109.4%
Net income	**66.3**	**38.7**	**71.3%**	**--**	**38.7**	**71.3%**
Earnings per share - basic	$ 0.77	$ 0.45	71.1%	--	$ 0.45	71.1%
Earnings per share - diluted	$ 0.76	$ 0.45	68.9%	--	$ 0.45	68.9%
Operating income/						

(loss), net						
US	104.4	60.7	72.0%	--	60.7	72.0%
UK	2.8	4.7	(40.4)%	0.3	5.0	(44.0)%
Unallocated	(4.9)	(4.7)	4.3%	(0.3)	(5.0)	(2.0)%
Operating income, net	**102.3**	**60.7**	**68.5%**	**--**	**60.7**	**68.5%**

b) Year to date Fiscal 2012 percentage change in results at constant exchange rates

	26 weeks ended July 30, 2011 $ million	**26 weeks ended July 31, 2010 $ million**	**Change %**	**Impact of exchange rate movement $ million**	**26 weeks ended July 31, 2010 at constant exchange rates (non-GAAP) $ million**	**Change at constant exchange rates (non-GAAP) %**
US	1,381.0	1,240.2	11.4%	--	1,240.2	11.4%
UK	303.9	284.9	6.7%	20.8	305.7	(0.6)%
Sales	**1,684.9**	**1,525.1**	**10.5%**	**20.8**	**1,545.9**	**9.0%**
Cost of sales	(1,040.4)	(994.3)	4.6%	(15.1)	(1,009.4)	3.1%
Gross margin	**644.5**	**530.8**	**21.4%**	**5.7**	**536.5**	**20.1%**
Selling, general and administrative expenses	(488.3)	(442.2)	10.4%	(6.1)	(448.3)	8.9%
Other operating income, net	64.8	54.9	18.0%	--	54.9	18.0%
Operating income, net	**221.0**	**143.5**	**54.0%**	**(0.4)**	**143.1**	**54.4%**
Interest expense, net	(3.4)	(14.7)	76.9%	--	(14.7)	76.9%
Income before income taxes	**217.6**	**128.8**	**68.9%**	**(0.4)**	**128.4**	**69.5%**
Income taxes	(75.9)	(39.8)	90.7%	0.1	(39.7)	91.2%
Net income	**141.7**	**89.0**	**59.2%**	**(0.3)**	**88.7**	**59.8%**
Earnings per share - basic	$ 1.64	$ 1.04	57.7%	--	$ 1.04	57.7%
Earnings per share - diluted	$ 1.63	$ 1.03	58.3%	--	$ 1.03	58.3%
Operating income/ (loss), net						
US	230.6	149.1	54.7%	--	149.1	54.7%
UK	2.6	3.3	(21.2)%	0.2	3.5	(25.7)%
Unallocated	(12.2)	(8.9)	37.1%	(0.6)	(9.5)	28.4%
Operating income, net	**221.0**	**143.5**	**54.0%**	**(0.4)**	**143.1**	**54.4%**

c) Net cash

Net cash is a non-GAAP measure defined as cash and cash equivalents less the total of loans, overdrafts and long term debt. Management considers that it is helpful in providing an understanding of the indebtedness of the business.

	July 30, 2011 $ million	January 29, 2011 $ million	July 31, 2010 $ million
Long-term debt	**--**	--	(229.1)
Loans and overdrafts	**(13.1)**	(31.0)	(24.9)

	(13.1)	(31.0)	(254.0)
Cash and cash equivalents	**440.2**	302.1	485.4
Net cash	**427.1**	271.1	231.4

d) Free cash flow

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

	13 weeks ended		26 weeks ended	
	July 30, 2011	July 31, 2010	**July 30, 2011**	July 31, 2010
	$ million	$ million	**$ million**	$ million
Net cash provided by operating activities	**86.8**	70.4	**192.1**	254.6
Net cash flows used in investing activities	**(25.4)**	(8.1)	**(38.3)**	(14.4)
Free cash flow	**61.4**	62.3	**153.8**	240.2

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