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EDITED TRANSCRIPT

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PRESENTATION

Mike Barnes *- Signet - CEO*

Okay, good morning, and welcome. I'm Mikes Barnes, Chief Executive of Signet Jewelers. And on behalf of our Chairman Todd Stitzer who is with us today as well, and all the representatives of our management team, and of course myself, it's a pleasure to have all of you here with us today and we appreciate you coming in this morning.

While you'll hear a little bit later, just how enthusiastic we are about Signet, about state of the art technology, for now, could I ask you to please ensure that your mobile devices are either turned off, or placed on silent as they may interfere with our audio visual equipment? I know it's kind of ironic, but we do appreciate it, and we thank you very much for that.

I would also like to welcome those of you joining us this morning via webcast, through the Signet website. During today's presentations, we will from time to time, 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.

So we urge you to read the risk factors, cautionary language, and other disclosures contained in the annual report on Form 10-K that was filled with the SEC on March 22, 2012. We also direct your attention to the slide in front of us today. Okay, now we got the best part out of the way there.

Before we begin our first presentation by out divisional management team, I'd like to speak on how Signet has really developed into a true US company over the course of the 4 years since our primary listing was moved to the New York Stock Exchange. I'll also speak to our competitive strengths, many of which will be demonstrated by our management team presenting here today.

I'll then update you on our international operations as Rob Anderson, our Chief Executive, of our UK Division, couldn't be here with us today. The UK remains a solid business, and accounted for about 6% of our operating income last year.

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Following the UK update, I'll turn the proceedings over to our outstanding US management team. These are the people responsible for the outstanding execution of our business results over many years here in the US market.

Mark Light, our President and Chief Executive for the US Division will speak first. He became the Chief Executive Officer in January of 2006 for the US, and his entire 34-year career has been spent with Signet in positions of increasing responsibility.

Ed Hrabak, who was appointed Chief Operating Officer of the US Division earlier this year will follow Mark. Prior to becoming COO, Ed was our Senior Vice President of Merchandising. George Murray Senior Vice President of Marketing, and Tryna Kochanek, Senior Vice President of Field Operations, will speak in order following Ed.

All of our US executive team members presenting today have, like Mark, spent over 20 years in our business. It's a seasoned, experienced, highly skilled team with a great track record, individually and, most importantly, together.

Finally, Ron Ristau will close by highlighting some financial milestones that we aim to achieve, driven by our growing competitive strengths. Of course, there will be time at the end of the presentations for you to ask any questions that you might have. We will then take a short lunch break, then this afternoon, we'll travel to Paramus for store tours, which is going to be enlightening for all of us and provide you with even more insight into our operations.

For those of you interested in making a purchase while we're in our Jared store, we are pleased to offer you a 25% courtesy discount on merchandise, excluding loose diamonds. Now I will say, if you're heart is absolutely set, on loose diamonds, we'll be more than happy to accommodate that purchase as well. So you can still buy them -- just no discount.

Before I begin, I'm sure you're all wondering about trading results. We're now about two-thirds of the way through the quarter. And our performance is inline with the guidance of same store sales in the low to mid-single digit range that we gave on our last earnings call. And we remain comfortable with achieving our objectives for the year.

So, let's begin with a brief overview. Signet is the largest specialty retail jeweler in the United States, with significant competitive strengths in key retail discipline. We have an outstanding record of execution. Our Kay and Jared store concepts are two of the most powerful retail brand names in the US marketplace. While Signet is a US company, I don't believe it's as widely recognized as it should be.

Let me be very clear on this, our US division drove 94% of our operating profit last year. We are very proud to run our company from our home office in Akron, Ohio where we built a strong corporate team that works closely with and complements our US team members, and is now located in the same corporate offices.

We also continue to be very pleased with the market leading efforts of our organization in the UK which I'll speak to in more detail here in just a little while.

Moving forward, our mission is to further enhance our position as the market leader in both the US and the UK specialty retail jewelry market by offering unique and superior customer experience, and by driving customer loyalty.

Let's examine this statement a little bit more closely. What do we mean by superior customer experience? It means, our goal is to be the best in everything we do, and to work diligently towards continuous improvement. This is because we put the customer at the center of everything that we do, whether it's in store, or increasingly online.

Behind the scenes, we remain laser focused on the vital support functions that provide a superior industry leading customer experience. Things such as credit, systems, training, supply chain, merchandising, marketing, and the all important store operations. By providing a superior customer experience, we drive customer loyalty and build brand equity in both our store concepts, and our differentiated ranges of merchandise.

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We are relentlessly increasing our differentiation from our competitors in order to further distance ourselves from them. This drives high store productivity, and it drives sustainable increases in operating margins which facilitates our ability to invest in future growth, and drive value for our shareholders.

At Signet, we have a number of strategic imperatives specifically aimed at driving value; they include developing and training our team members to consistently enhance the retail experience of our customers; growing new and existing brands, and categories, to delight our customers; continuing to drive competitive strengths and infrastructure to enable growth; optimizing our capital structure to manage risk, while still making investments for the purpose of driving increase shareholder value over the long term.

All of these imperatives will lead to increased market share, and drive Signet toward maximizing strong sustainable profit level. Our biggest competitive strength however, is our experienced, well trained motivated team members. Our US executives including Mark Light, will tell you much more about that in just a few minutes.

For the moment, I just want to impress upon you that having an unparalleled team of people like we have at Signet, does not happen by accident. And we've developed sector leading training methodologies and systems to support our store teams and our field managers.

We do everything we can to help them succeed. And when they succeed, Signet succeeds because our customers come away with a product knowledge they desire, as well as a unique feeling of satisfaction and personal engagement. This converts them into long term customers, loyal to both our store and merchandise brand.

Speaking of brands, the strategy of branding in the mid-market specialty category is still relatively new. But that branding train has left the station, and here at Signet we are driving the train. Consumers want a reason to buy. They desire innovation, newness, something that makes a statement. Brands work to satisfy that desire.

Accordingly, the team here at Signet has successfully developed the necessary skills, and using our mini synergistic competitive strengths have set about creating and developing powerful portfolio of merchandised brands to complement the established strengths of our Kay and Jared store brands. This is an important competitive strength that Mark and his team are diligently constructing.

While we do consider customers' in-store experience, to be at the top of our list of strengths, and the development of differentiated brands, to be an exciting new opportunity, there are many other competitive strengths in play; they include strong customer awareness, driven by our ability to be highly visible on national television via quality advertising campaign; the quality and the superior locations of our stores; our leadership in supply chain management, our growing use of sales enhancing technology, and within the United States' market, our in-house customer financing capability.

You'll be hearing a lot more about these dynamic, competitive strengths from the team as the morning progresses.

As I alluded to earlier, continuous improvement is ingrained in our company's culture, it's in our DNA. When I joined Signet 2 years ago, a major opportunity that we quickly identified was the Internet and the digital environment in general. We made the digital universe a priority for investment because we believed then, as we do now, that our company, in ways no other could match, has the unique opportunity to become best in class in the digital environment within our sector.

That confidence, that belief only continues to grow. We recruited appropriate management talent and set aggressive goals for the team to lead us in achieving this objective, of being the industry's electronic best-in-class. As expected, Mark and his team are now well on the way to delivering. And today, you'll hear a great deal more about this exciting initiative.

What has been very exciting about this e-commerce project is that it's building on the many long established strengths of the business. For example, we have an exceptional central customer service operation that support our stores, and credit function. And now, they're supporting our digital media initiatives as well. This overarching digital initiative is part of our plan to invest and reinvest in our industry leading business.

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Now let me further address future investments that we're going to be making to drive shareholder value. We're committing $155 million to $165 million towards capital expenditures this year. With this investment, we will take steps to increase productivity within our existing store space. Build new stores, as customer shopping patterns evolve, and quality space and sought after markets becomes available, and invest in sales enhancing digital technology and information technology infrastructure.

In addition, we'll support new initiatives that drive our core business model, and we'll continue to be open to new opportunities for growth wherever we may find them. We are only interested in opportunities that meet our strict criteria for financial returns and to strengthen our company for the future without distracting our management from our current successful initiatives.

Finally, we will utilize any remaining cash flow to enhance shareholder value, through appropriate methods such as share repurchases, or dividends, as we have done already this year.

At Signet, our investment in people, and systems has led to a proven record of identifying trends early and responding rapidly. We're able to execute to the latest trend, rather than a plan conceived in the past. Over the last 4 years, during a volatile economic environment, we've demonstrated an ability to react quickly and effectively when necessary to manage both expenses and assets, in order to thoughtfully reinvest in the business, and to drive store sales, increasing operating margins and enhance our competitive strengths.

And as you're about to see and hear in detail, we'll continue to innovate, and execute our strategies for the purpose of driving additional profitable market share gains in the future.

To sum this up, with sustainable competitive strengths, Signet is the clear leader in the US jewelry market, one that is very fragmented, which provides even greater opportunity to gain profitable market share. Signet is also a leader in the UK market. And although our international operations are small, and the context of the business as a whole, we have a record of exceptional financial performance, a strong balance sheet, a history of disciplined investment to grow the business, and we've established a policy for driving shareholder value.

Before I hand the proceedings over to Mark and his team, I would also like to give a brief overview of the UK Division which also continues to make great progress in a tough economic climate. Signet is the clear market leader in the UK, as such we view our UK division as a valuable and strategic asset.

Of our two leading UK store brands, H.Samuel accounts for a little over half of the division sales, and targets the mid-market consumer, while Ernest Jones targets the upper mid market consumer. The merchandise mix of the UK division is culturally different than that in the US, watches actually lead the category mix, followed closely by diamonds.

The business is well-positioned and it has performed well in a challenging environment, and had a 7.8% operating margin last year. That is a performance that many UK companies would love to have, but, frankly, we believe we can perform even better in that market.

Therefore, during our second quarter earnings call, we set our objective at achieving a 10%-plus operating margin by fiscal 2015. This objective is based on an in-depth review and a valuation of the UK business, and the market in which we operate. It builds on our market leadership and recognizes that the UK marketplace is likely to remain a challenging market.

In driving toward this multi-year goal, there are three major steps that we've laid out. First, we must continue to invest in developing innovative, new merchandise programs. New product within our branded and non-branded merchandise continues to be a major factor on our road to success. Second, we're optimizing our real estate to reflect the changing shopping patterns of our customers.

For example, there's been a shift toward major regional malls, and away from smaller town high streets. A similar shift took place in the US a number of years ago. As we work to optimize our real estate, we will also rationalize older underperforming sites, but in selected major centers that I've talked about, we're expanding our store space to enable us to provide a greater in-store experience.

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For both H.Samuel and Ernest Jones, we're also implementing new store designs which have been successfully tested over the last 18 months. We expect that by fiscal 2015, we will have a smaller, but much more productive footprint of stores in our UK market.

Finally, the operating structure, primarily central cost, are being aligned to the sales base generating further cost savings in the UK. This represents the third element in our program to reach our 10%-plus operating margin goal.

Now let's take a closer look at the new store designs and improved brand differentiation. With H.Samuel, we've created a more contemporary fashion forward store environment. We think these new super stores look amazing, and their overall performance has been outstanding.

The new environments offer sales enhancing in-store technology, including touch screens that provide access to the H.Samuel website and tablets as a selling aid for the associates. You're to hear a lot more about that on the US side as well in just a little while.

Other features, include the use of front access counters allowing greater opportunity for side-by-side selling with our customers. There's also a much greater prominence for branded jewelry such as Guess, DKNY, and a wonder window with a 55-inch video screen, offering significant opportunity, to display dynamic marketing messages.

In addition, there's an improved presentation of the diamond and bridal selections inside H.Samuel with a clearly defined area within the store, one that's more suitable for a consider transaction such as selecting an engagement ring.

Our customers have responded very positively to this new feature as well as the others. The stores' bridal selection is led by Forever Diamond. We've significantly improved the in-store presentation, with new point of sales materials and packaging for this brand which is exclusive to H.Samuel. Another major launch for this Christmas is the Together brand. These pieces, bond the precious metal, of gold and silver, to create beautiful, affordable jewelry. And like the Forever Diamond, Together, is exclusive to H.Samuel, and it has tested extremely well.

For Ernest Jones, the new store design is more luxurious. This approach reflects the merchandise selection with luxury brands prominently displayed in the windows, and in-store. We've increased consultation areas, and created in-store boutiques as well leading to a more conducive environment for selling prestige watches and jewelry. As you can see, these shop-in-shops for TAG Heuer and Omega give a store a much stronger brand centric presence.

For those customers looking for iconic fashion brands, we're working with Gucci, as well as other fashion brands to create branded boutiques that can feature both watches and jewelry. We are also increasing the prominence of Le Vian, building on the successful introduction into the UK market where it is exclusive to Ernest Jones.

And in select locations, we're partnering with prestige watch companies to create in-line boutiques dedicated to the brand. The bridal assortment at Ernest Jones is led by the Leo and Tolkowsky diamonds. We're also in the process of testing the Neil Lane Bridal selection. Of course, these exceptional merchandise selections are all exclusive to Ernest Jones, and we're very excited by the opportunity to continue driving these important brands to maximize sale.

Both Leo and Tolkowsky have already been successful for us in the UK. And based on the US rollout, we believe that Neil Lane Bridal will be a real winner in the market too.

And, finally, from our physical real estate, we turned our virtual estate. Along with our brick and mortar stores, we also continue to upgrade and enhance our online capabilities in the UK. For example, the merchandise range on both H.Samuel and Ernest Jones websites has been expanded, and the design of the Ernest Jones website has been refreshed. These upgrades reflect the positioning of H.Samuel and Ernest Jones as the top two jewelry websites in the UK.

In conclusion, the many competitive strengths I've talked about today, terrific merchandise assortment, the evolution of our stores in our initiatives in the digital environment, these are all reasons why we believe that we'll continue to build on our market leading position.

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At this time, I'd like to turn it over to Mark Light, our Chief Executive Officer of Signet US divisions to take over.

Mark Light - *Signet - President and CEO US Division*

Good morning. Thank you, Mike. I must say I'm very excited to share with all of you the Signet US difference. It's the dimension of our business, that at the end of each day, truly sets us apart from our jewelry competitors.

This reality is, none of our initiatives mean a thing without our people embracing them, and bringing them to life for our customers. This reality, this difference is why each strategic decision we consider comes down to how we positively affect our people and enable them to better serve our customers.

And within that process, we're continuously striving to better understand our customers. That way, we can better train our team members and more completely empower them to execute. Our great merchandise programs, our fantastic marketing, our wonderful stores, our carefully constructed customer finance programs and a significant investment technology are all worth very little without our people.

We are driven by our customers in the most effective ways we could help our people give them an outstanding experience. But many retailers do not operate this way. In fact, many retailers who make sudden or radical changes to the business plan, often falter for one reason, they did not consider how those changes would affect the mindset and the performance of their people and the customers with whom they develop their relationships.

But Signet is a people company that sells jewelry. Our success is by design because that road to success always leads back to our people and our customers. First, we invest in the best team members, and then in training, to ensure their continuous improvement. From there, we invest in our stores, and customers with initiatives that touch every part of our business and then in rewards that motive our people to brilliantly execute those initiatives.

This way of doing things has continued to yield dramatic sales, profit and market share results. It's why this year, for the first time ever, Signet became the largest in retail jewelry sales in the entire United States as ranked by National Jeweler.

It's also how we have steadily grown and are the number one in the $29 billion specialty jewelry sector with a market share of 10.4%, which by the way is almost double that of the next largest mid-market operator.

And it's why we have the ability to build brand equity for our Kay and Jared stores to create new merchandise brands, and to drive further gains and profitable market share through our marketing investment.

It is because of our team's unparalleled excellence and execution that we have a record, and a reputation of being a leading innovator within the jewelry sector. Examples of this innovation include the creation of the Jared concept, which is now the fourth largest specialty retail brand in America.

Our leading role in creating merchandise brands within the mid-market jewelry sector like the Leo Diamond, Neil Lane Bridal, Open Hearts by Jane Seymour, and the Tolkowsky Diamond and their investment in sales enhancing digital technology both online and in store.

Our team's superior execution is why we are achieving record operating margin. It's also why we are confident that we'll continue to improve those margins by driving same store sales, increasing store productivity, and further leveraging our expense base.

This foundational human commitment and passion for excellence, is what makes Signet the leader in the US marketplace. Not just in terms of sales, and financial performance, but also in merchandise, marketing, customer finance, IT systems and operating procedures.

When we combine all these elements, Signet has a business model that we believe is very difficult to replicate. It is -- also results in a strong balance sheet that gives us the power to invest and reinvest in our business and drive it forward like no other jewelry company can.

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So I'd like to now update you on some of those investments of our latest key operational initiatives. They're designed to help take us to the next phase of continuous improvement and our next level of success.

First, our initiative that directly support our greatest competitive advantage, our team members. We make it a point to take care of our people. We invest in our 17,000 team members on an ongoing basis. Those investments are in the form of training, career advancement, and other areas.

Our unparalleled training programs form a major part of our career advancement efforts, and we are continuously enhancing them. From our proprietary selling system, to our growing career development schools, to the in-depth seminars at our annual managers' meeting, no one trains like Signet. This is our most important mission, and Tryna Kochanek will expand on these individual programs in her presentation later this morning.

And central to our success as it relates to training and career advancement, is our commitment to promotion from within. Just over the last 18 months, more than 1,600 team members received promotions. Those promotions range from assistant store manager, to chief operating officer. Again, we make it a point to take care of our people.

Next, I'd like to highlight some of our latest merchandising initiatives. The products our people sell and bond with our customers over. We support our customers' belief in the emotional importance of jewelry by continuously working to provide them with a quality merchandise offerings and we do it in ways that dramatically differentiate our company.

For example, Mike told you that Signet continues to build its branded differentiated and exclusive merchandise assortment. Well today, total sales of our branded merchandise are steadily growing, and we're not letting up.

Along with expanding our existing brands, we're testing and rolling out dynamic new brands. You'll learn more about these programs from Ed Hrabak in few minutes. But for now, keep in mind that our differentiated brands offer our customers merchandise that our competitors do not and cannot. And they also give our team member more opportunities to drive incremental sales and maximize the quality of each customer experience.

We are able to accomplish this because strong brands allow for the creation of stories, and power for emotions for our customers; stories and emotions that are related via the exceptional marketing programs. This year, we again have some superb new advertising; its effectiveness is based on a thorough understanding of our customer. George will give you some fascinating details about it later in his presentation.

In addition to giving our customers emotional reason to seek out our merchandise, beginning this year, we're also giving them greater access to it, both physically, and virtually. First, the physical side, this year we're opening more new stores and remodeling more existing locations than we have since 2008.

Our real estate plans call for the opening of up to 48 new stores by the end of the year; 8 Kay mall, 23 Kay off-mall, 10 Kay outlets, and 7 Jared locations. And we are planning to open between 60 and 70 more new stores in fiscal 2014.

With Signet's strong balance sheet, there is potential to substantially increase our Kay and Jared space even more in the long term. We see opportunities for a total of approximately 880 Kay mall stores, 400 Kay off-mall locations, 150 Kay outlet locations, and 300 Jared locations.

We believe it's very important for our stores to reflect our position as a market leader, and so our relocation expansion and store remodel investments, the last of which is primarily driven by our lease renewals, involves over 80 stores, across the US division.

Our revitalized real estate initiative gives our customers improved physical access to our merchandise assortments. But our strategic vision, addresses given customers better access from a virtual perspective also.

Earlier, Mike touched on our commitment to pursing state of the art technology across our entire organization. It's a commitment that helps our teams deliver even greater results. For example, and most obviously, the designs of our e-commerce web pages have been significantly improved and so is their underlying technology. Again, George will tell you more about this later, but it's important to keep in mind that e-commerce not only drives online sales, it also continues to drive more traffic into our stores.

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Our research shows that customers still value the store experience and the human connection, and so we marry the e-commerce experience with the store experience. For example, we do this with our social media presence, and messaging led by Jared and Kay on Twitter and on Facebook. Our Kay Facebook likes exploded following the pages January launch.

They grew so fast that Facebook asked us to participate in a case study, documenting our integrated promotional strategies and direct communication with consumers.

We're achieving very high levels of engagement in our social media activities, and moving forward, we are continuing to assess even more social media opportunities. Again, George will cover this in our social media strategy in his presentation.

Another way we are marring e-commerce in the store experience is with our new CASSi tablets. CASSi stands for Customer Assisted Selling System Intelligence, which is rolling out to all of our Kay and Jared stores as we speak. And to our regional brand stores next year.

CASSi offers our store teams and customers immediate access to our virtual inventory of merchandise, the ability to easily create personalized jewelry items, and the tools to enhance the customer experience. And within days, all of our CASSi features will be augmented by our updated Kay and Jared website rollout.

Technology has also improved out in-store repair and design centers as important drivers of traffic and enhanced customer confidence. Having new streamlined repair processes within Signet is a groundbreaking advancement that further differentiates us from our competitors.

Specifically, we have introduced a new repair shop quality control system. We believe that this state of the art tool, is the first of its kind, and it will redefine how repair quality is assessed for years to come.

We also rolled out a custom design and engraving capability, to all of our Jared shops this past July. Lastly, in the IT universe, we have introduced a program called Matrix Plus. With Matrix Plus, each store manager now has the capability to better organize and control their daily labor utilization. As a result, they drive store productivity higher, improve efficiencies, and increase sales.

Finally, to switch gears to another vital aspect of our business, our company also continues to make major advancements in the area of supply chain management. In June, Signet became a Select Diamantaire with Rio Tinto, one of the world's leading diamond miners. This exciting partnership now gives our company direct access to rough diamonds. This is a significant statement of strategic content rather than a short term initiative. Ed will talk a little bit more about the supply chain initiative in a few minutes.

Each of the initiatives that I've highlighted during the past several minutes, illustrates how driven our company is to maintain the best equipped, most intelligent, most engaged and most enthusiastic team members in all of jewelry retailers.

At their core, all of our initiatives share one overarching goal, they're in place to help our team members succeed in delighting our customers with a superior experience so that Signet can grow even stronger and become more profitable and build a foundation for our future success.

One measure of this success is customer satisfaction. We relentlessly measure customer satisfaction on a store by store basis. And I'm excited to tell you that our customer satisfaction scores are currently at record high levels. This exceptional customer service drove our record breaking sales, profit and market share performance.

We are all well positioned to continue to break our own records, well into the future with our proven strategy, our initiatives, and within the absolute best jewelry team in the business, we believe actually in all of retail.

People are Signet Jewelers' greatest asset. And they are the Signet US difference. The people presenting today are among the leaders of our company. Our people are the key dimension of Signet's strategic vision, and together we must and we will continue to increase the drive to deliver continuous improvement within ourselves, and within our teams to always be better than the best, to always look forward and upward to the next level of industry leading excellence.

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Ladies and gentlemen, Signet is the unparalleled jewelry industry leader. And I can tell you right now, we are just getting started.

Thank you very much. And we'll take a brief coffee break, and resume at 10.40. Thank you.

(Break)

Ed Hrabak - *Signet - COO US Division*

Welcome back. I'm Ed Hrabak, and I'm here to kick-off the remainder of this morning's presentation. Earlier, both Mike and Mark highlighted the growing importance of branding merchandise in the jewelry sector, and also that these branding efforts are in early stage of development. This also happens to be a very timely development.

Customers are placing a great deal of importance in the value on the jewelry in their collections. For example, an Open Hearts pendant by Jane Seymour, a Neil Lane Bridal ring, or a Tolkowsky diamond, pieces that have a message, story, or feature accompanying them.

It's clear that brands make it easier for customers to share their experiences with others, particularly using social media, plus, more and more frequently, customers are researching their prospective purchases online. Estimates indicate as many as 8 out of 10 customers browse, inquire and question online before they come into our stores.

They rely more heavily on their peers, they trust online ratings and reviews to learn more about the quality of a product or a brand. And, lastly, these product brands help differential Kay and Jared and position them as the preferred store brands.

For more than a decade, Signet has built a powerful portfolio of merchandise brand with strong features and benefits to delight our customers. Our goal is to build long term brand equity. So it's very important to continue developing our existing brands, keeping the collections fresh and relevant and, in turn, sustainable. Further, we continuously seek to develop where appropriate, new brand and differentiated products.

Signet has a proven record of success in developing new, exclusive collections supported by our research and deep understanding of our consumer needs, our superior supply chain and supplier relationship, our test before we invest, philosophy, our marketing expertise and expenditures, our technology, and system support and out superior people and sales training programs.

I'd now like to go through some of the initiatives we have underway that will afford us the ability to offer newness, and differentiation to our customers this holiday season. Now our branding efforts actually began at the turn of this century, the year 2000, with the introduction of the Leo Diamond which remains one of our strongest brands.

The initial roll out of Leo consisted of approximately 12 SKUs focused on round and princess cut loose diamond, and solitary engagement rings. That core assortment has been extended and tweaked since the initial rollout and, of course, has been an all Jared and mall stores for some time.

The most recent extension to this singular line, have been focused on a category of one and two piece, fashion bridal rings. At present, we have an assortment ranging from 5 to 17 pieces in 800 stores, ranging in price from $2,599 to over $9,000.

And here's another example. Charms and beads continue to be solid performers in both our mall, store, and Jared division. For our exclusive Charmed Memories program, all mall stores have recently received 20 to 60 new charms including family, sport, textured glitter, and tattoo patterns, as well as new creations in Swarovski crystal, Murano glass and the very popular, Hello Kitty.

All Jared stores will received a total of 64 new Pandora charms this fall, featuring their autumn -- their themed autumn and winter collections. Autumn's Tale, A Starry Night, and Love Story. And, of course, we will be supporting both Charmed Memories, and Pandora brands with television advertising this holiday season.

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Let's turn now to the Open Hearts by Jane Seymour, which was first introduced in the fall of 2008. Every year, we introduce new styles, and every year, people come back to add to their collections, and this year is no different.

We're adding a new collection called Open Hearts Family, inspired by Jane's book of the same name. We're featuring new Open Heart pendants and each on represents a special family connection, like this new pendant representing mother and child. There are also these family pieces, where Open Hearts are joined together forming a unique pattern that represents the special bond we have with the ones we cherish.

Since 2001, we've also had great success in partnering with Le Vian; most recently, with programs such as Chocolate Diamonds. Other Le Vian programs include Strawberry Gold, Raspberry Rhodolite, Honey Gold, and Chocolate Quartz. All of them continue to be customer favorites.

We continue to grow our Le Vian collection this holiday season, offering great options for the loyal Le Vian collector. Our recent additions feature larger chocolate center diamonds, as well as an expansion of gladiator styles.

We also continue to expand our Tolkowsky diamond range as well. Our Tolkowsky Ideal Cut Solitaire program is now in over 900 mall stores, with the remainder of our mall locations being added by Spring of 2013. We will also be launching a unique range of Tolkowsky ideal cut loose diamonds in both round and princess shapes to all Jared stores this fall.

This holiday season, in addition to expanding the Tolkowsky solitary and loose diamond programs, we will continue to expand the Tolkowsky bridal set assortment. In October, Tolkowsky bridal will be in 550 mall stores, and we will continue testing and expanding the exciting new styles as well.

Now here's something else that's hot, colored diamonds. We tested the Artistry Blue Diamond fashion collection earlier this year, and expanded it to additional stores in July. Following outstanding sales results, the Blue Diamond collection is being rolled out to all mall and Jared stores this fall.

The new Artistry Blue Diamond collection includes fashion necklaces, earrings, rings and bracelets, all accented with blue and white diamonds. Price points range from $149 to $749. Styling rages from classic frame looks to beautiful blue diamonds fashions with a twist.

Silver is more popular then ever as a fashion choice, it's adaptable and affordable. Silver is a trend that is not going away and it really lands itself to very intricate jewelry designs such as those being created by designer Lois Hill.

Lois travels the world looking for inspiration for her sterling silver jewelry. And she just discovers it, whether she's observing ancient ruins, examining a 17th century bracelet in a museum, or stopping to study a woven basket in an open air market in Africa. The Lois Hill collection is hand made by skilled artisans, and features beautiful hand card jewelry patterns, textile weaves, and ornate filigree work.

We tested Lois Hill collection of silver jewelry in Jared, and sales exceeded our expectation. Now we have partnered with Lois Hill to make Jared the exclusive specialty retailer jewelry chain for her designs. As a result, the Lois Hill design or silver line is being expanded to all Jared stores this fall. Now this beautiful line ranges in price from only $99 to $599. We are confident, this well tested new program will be very well received by our customers this holiday season.

We've also been working with Rio Tinto, one of the largest diamond miners in the world, along with selected jewelry manufacturers, to create an exciting new and exclusive Shades of Wonder line utilizing rare, natural colored diamonds originating in Australia.

We tested this program this past January in both mall and Jared stores and rolled out to more stores in July. By later this month, Shades of Wonder will be in 1,100 stores. Every piece is literally one of a kind, as no two pieces may feature the exact same shading, from shades of soft champagne, to deep rich brown completed by beautiful white diamonds. This exclusive collection is right on trend and offers price points from $99 to $1,700.

As you are aware, we've began our partnership with Neil Lane, jewelry designer to the stars, back in the spring of 2010 with the launch of a bridal engagement ring collection. Since that time, the Neil Lane collection has rapidly become one of our strongest jewelry brands. Neil has demonstrated unique ability to design and appeal to the red carpet, as well as the Kay and Jared customer.

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Over the last 2 years, we have continued to expand this fabulous collection to all mall and Jared locations, while continuing to introduce fresh new designs. Now here are just two of the new Neil Lane bridal designs that we will be featuring this holiday season.

First, a beautiful one in five-eighth, karat floral inspired bridal set with an oval center stone priced at $6,300. Next, a one in one-eighth karat, bridal set with a princess cut center stone priced at $4,000. Both pieces showcase Neil's intricate vintage inspiration, and offer tremendous value to the consumer.

A major new initiative this year is the development of Neil Lane design, an exclusive collection of diamond fashion rings, necklaces, and earrings to complement the bridal assortment. It's inspired by Neil's couture line that you've seen worn by Hollywood's biggest celebrities. We tested this collection in April and backed it with extensive consumer research that confirmed just how strong this concept is.

Consumers appreciate the value of the link between a renowned designer like Neil Lane and a collection like Neil Lane designs. This collection was rolled out to all Kay and Jared store just 2 weeks ago, and ranges in price from $500 to $2,500. Examples of this new collection include this intricate fifth of a karat diamond heart necklace, and this delicate pearl drop necklace with one-fifth karat of diamond.

Additionally, we have this diamond floral band, and this intricate half karat diamond band with a leaf and vine motifs set in rolls gold. And, finally, the perfect complement to our Neil Lane Bridal rings are these bridal inspired pieces, including this stunning half karat pear shaped diamond drop necklace and a matching three-quarter karat total pear shaped earrings.

Now, let's move to the topics of technology and personalized jewelry. As you will hear from George Murray in a moment, we are about to launch new websites for both Kay and Jared, offering merchandise selections, 10 times that of a typical mall store.

This greatly expanded range is achieved by using virtual inventory that is held by vendors and not by us. In other words, our vendors are acting as our cloud. Through our technology investments, this greatly expanded range of merchandise will also be available to our customers whether they're shopping online, or in our stores.

Now what happens if we do not happen to have the item that a customer wants in the store? No problem. Our sales team member can immediately go online with them using the customer friendly CASSi system which Mark mentioned earlier, and which we will demonstrate in-depth during our store visit.

With the new website, and our in-store digital investment, this holiday, we can provide our customers with an unbelievable merchandising selection in-store within seconds.

One thing we have learned about our customers is that they place a great deal of importance and value on their jewelry. They have a personal connection with it, personalized or customized jewelry can be as simple as engraving, or as advanced as actually designing of customer's very own unique piece.

Our custom@Kay and custom@Jared programs gives our customers the benefit of starting with professional designs, and then they offer them quick and easy options with gem stones, metal type and color choices to add their own personal touch. You will see demonstrations of this custom program later today during our store tour.

This program was initially launched last fall and has continued to grow rapidly. With the advent of our CASSi technology, this will be an even stronger tool in assisting customers who are looking for a truly personal or customized piece.

Let's talk a little bit more about diamonds. Mark spoke earlier about our strategic initiatives to strengthen our supply chain by becoming a Rio Tinto Select Diamantaire. Signet is continuing to grow and so is the demand for diamond jewelry on a world wide basis. At the same time, the supply of rough diamonds remains constrained. With all of these changes taking place, we believe it is an imperative for us to continue to strengthen our supply chain.

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For those of you unfamiliar with the diamond supply chain, let me explain a little more, more fully what is involved. The major diamond mining companies partner with selected businesses to sell rough diamonds. In return for a long term commitment to buy rough diamonds, these entities gain preferential access.

Manufacturers then cut and polish the rough diamonds or trade them with other parties. Polished loose diamonds are then traded or used in the manufacture of jewelry. The jewelry is then sold to retailers, either directly, or through wholesalers. In the US market, Signet typically buys 45% to 50% of it diamond requirement as loose polished diamonds, and then has the stone set into jewelry.

We believe we are the largest buyer of polished diamonds on the planet so it is important for us to be able to obtain the quantity and quality of the diamonds that we need on a consistent basis. We believe this purchasing power gives us a competitive strength and the ability to do so.

To enhance this competitive strength, we have started to source rough diamonds directly from Rio Tinto and others, and in turn to cut and polish the stones on a subcontract basis. This is a strategic initiative. And while not currently material, our ultimate objective is to secure additional, reliable, consistent supplies for our customers and achieve further efficiencies in our supply chain.

In conclusion, ladies and gentlemen, our experience, systems and scales the Company enable us to execute in a superior manner. We continue to develop processes build on our competitive strengths and merchandising, supply chain and inventory management.

A test before we invest philosophy and our ability to make well informed decision based on research, and we will continue to lead the market in presenting customers with merchandise that will delight them, not just once, but over and over again. We believe these advantages have enabled Signet to establish merchandising leadership within our marketplace, and to achieve profitable market share growth consistently over time.

Thank you very much for your attention this morning. I will not hand the presentation over to George Murray.

George Murray - *Signet - SVP Marketing, US Division*

Thank you, Ed, and, good morning, everyone. I'm George Murray, and it's my pleasure to speak to you today about Signet's marketing initiatives. In fiscal 2012, we invested $188 million or 6% of US sales in marketing our store and merchandised brands. Our test before we invest culture, we use to drive sustainable customer centric competitive strengths through our marketing.

But the fact is, communicating with customers has never been more important, as stewards of our brands, we have to provide multiple touch points in our stores, through websites, on social media and mobile devices, via credit, repair, extended service plans, warranties, gift cards, catalogues, mailings, phone calls, email. To put it simply, today's customer expects to be reached in the way that's most convenient for them.

With this top of mind, we begin our marketing efforts with a deep understanding of our customers' wants, and needs. We gain these critical insights through primary research as well as gaining leverage from our superior data mining techniques on our proprietary customers databases, and from on trend insights.

We drive these customer insights across the entire company to create sustainable competitive advantages in all of our core competencies, from training, to advertising, e-commerce to social media, to product brand positioning. In this way, we ensure that the voice of the customer is heard throughout every dimension of our business.

Our customer relations, marketing activities leverage a proprietary database of over 25 million jewelry purchasers. This resource is utilized to create predictive behavioral models that allow us to develop highly targeted and effective offers creating customer loyalty and higher lifetime value.

For example, as Ed described earlier, we continue to expand our bridal offerings to appeal to a very diverse taste of our bridal customer. Our proprietary bridal research has helped to guide both our product offerings, and in-store training, around the emotional needs and barriers of the bridal customer.

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In the United States, over 2 million weddings take place each year. In other words, it's clear, the bridal category is not going away. We estimate that this market is worth over $11 billion in annual sales. Therefore, they represent a significant opportunity for further growth.

Our research has also given us insights into the customer's emotional triggers during the engagement process. This serves as the basis for some of our bridal creative development. Through many years of study, we have consistently seen a direct correlation between our advertising investment and our sales growth. We see that advertising is a key component of driving our increasing share of the jewelry market.

I'm sure you're all aware that every Kay Jewelers TV spot ends with a tagline, Every Kiss, Begins with Kay. And every Jared TV spot includes multiple statements of, He Went to Jared. Utilizing these taglines, which research tells us, have become part of the American vernacular, television remains the most influential media in building our brand awareness. We know this because our Kay and Jared customers tell us in market research that they attribute the major source of their awareness of our brands, to television.

These results speak directly to our ability to tell compelling and motivating stories through national TV advertising. This allows us to effectively build persuasive awareness for both of our national store brands, Kay and Jared. Our industry leading share of voice, is up as well.

The resulting increase in reach and frequency for our advertising has accelerated the building of our brands' awareness. For example, with Kay, as the number one jewelry store in America. This awareness in turn drives more customer traffic into our stores. Building on this success, we are increasing our television impressions again this fall for both Kay and Jared.

And what are those compelling and motivating stories I spoke about a minute ago? Well, we have created a number of new commercials this year to engage our customers during the holiday season. Let me share with you three examples of how we're using TV advertising to drive our market leadership even farther in 2012.

This past Mother's Day, we aired this Jared TV ad, which used humor, and the He Went to Jared referential power. The spot this called, In-flight Announcer. Please, take a look.

(Video Plays)

For this holiday season, we are taking our very successful He Went to Jared campaign and evolving it, to explain exactly why he went to Jared. This new spot gives the Jared store a personality all its own. Our testing indicates that the commercial will help customer understand why our customer, an ordinary guy named, Mike went to Jared.

Testing also shows that it does a very strong job of creating visit intent and purchase intent for our Jared stores. Here's the new spot which we call, Helping Mike.

(Video Plays)

The third TV commercial I want to share with you is a sneak peek at another new spot designed to build store brand preference this time for Kay. It's clearly an ad that no other retailer could possibly pull off. This spot is called, Answers.

(Video Plays)

We're very excited this spot, along with several other commercials in our new campaign, will be featured this holiday season in network television. We buy our advertising time in the upfronts, which gives us better ad placements and rates.

We've also developed competitive advantage with our strong network relationships. These relationships lead to proprietary sponsorships and product integration, like those with the NFL network, the SEC Championship Kay Diamond moment on CBS, ABC's Neil Lane bachelor vignettes, and the lighting of the Christmas tree at Rockefeller Center on NBC. The Christmas tree lighting also features a wedding proposal during which Kay plays a key role.

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Here's a look at some of these programming and product integrations that are helping Signet brands become part of the fabric of the jewelry buyer's life.

(Video Playing)

The TV ads and product integrations you just saw, are all designed to build brand equity for our store concepts. Our ability to make a major investment in TV advertising also enables us to be successful in creating and building merchandising brands in a way no one else in the jewelry category can. We know from our research that our customers respond to new and innovative merchandising and branding.

Here too, television is the customer's number one source for new product information. Let me be clear about what effective branding means, new products with clever names are not brands. To be a brand, customers must first be aware of the product and there must be a compelling story or reason that resonates with the customer so that they ask for or desire this product.

Signet's market leading share of voice on television, enables us to achieve this all important step. It allows us to build this product brands under the successful, Every kiss begins with Kay, and He went to Jared campaigns, and, thus, drive sustainable long-term profitable growth.

In our advertising, we are continuously following our customer's leads, which brings us to our efforts in a digital ecosystem. Last year, I described to you our initial steps towards our goal to becoming best-in-class in all aspects of the digital ecosystem. I'm happy to report that year-to-date through the second quarter the e-commerce sales are up 40%. While e-commerce sales are important, they are only aspects of our investment.

For some time now, we have been in the process of penetrating our messages deeper into the digital environment. For instance, we leverage our television media buys and production expenditures with online streaming video, placing our TV spots within premier content sites. In fact, his holiday season, we're increasing online impressions by 50%.

Next because of our efforts, our website rankings have significantly improved over the last year. This increase was documented in the 2012 addition of Internet Retailer, where we jumped from a ranking of number 10 in the jewelry category to number 5. And we aim to drive this ranking even higher by the time we launch our updated websites.

As you've already learned, in the past few days, we will be launching the newest generation of our e-commerce websites for both Kay and Jared.com. These transformational site updates are driven by the voice of the customer, and they will greatly increase volume capability and scalability. Our new websites also have much improved mobile capabilities and this includes the key functional ability to complete online mobile transactions.

Let's examine our new sites more closely; they're loaded with new features and make use of the very latest website best practices. In particular, I would like to focus on some very distinctive new capabilities which benefit our customers. Our advanced design features include simplified and optimized navigation.

The new navigation presents jewelry to customers based on the way they want to search, either visually or by product type or brand. We've also enhanced our search capability with a type ahead function that helps customers find what they're looking for more quickly.

Here are two more major improvements. Now, a customer can view contextual credit availability that clearly indicates proposed monthly payments for each merchandise selection he or she is considering, and we have dramatically increased the selection of available merchandise. Thousands of products have been added to our online assortment.

Let me put it in perspective. It's like taking an average mall store and expanding its inventory 10 times. And because our new websites are tied to our in-store tablets and screen via CASSi, it dramatically increases the merchandise assortment available to our in-store customer and sales associates within seconds.

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With our improved technology, we are better able to manage content on Kay and Jared.com. This control enhances the effectiveness of the promotions we offer online, which in turn brings customers to our stores. And by using advanced analytics, we can measure the quality of the customer experience more completely.

We then take that more detailed feedback and better identify opportunities to improve the customer shopping and educational experience. Speaking of feedback, our customer ratings and reviews are linked between our websites and social media platforms. Customers can read what other people have written about the jewelry they're interested in on our Facebook pages as well as on our websites.

And on our websites, we make it easier for them to share and discuss their favorite products with buttons that connect not only with Facebook and Twitter, but also with a number of other social media platforms, such as Pinterest and Google Plus.

It's very important to remember that our websites are not just about e-Commerce - browsing and buying merchandise, they're about building a long-term relationship with our customer and empowering them to interact with us in a way they want. And while our websites are important, they are only one aspect of our investment in the digital ecosystem. That's why a key digital milestone for Signet in 2012 was the launch of social media presence for both Kay and Jared on Facebook and Twitter.

In social media, our strategy is all about engagement because we believe that's what social media users want. Our vision is to develop relationships with consumers to build loyalty and foster brand advocates with relevant forums for engagement. Social media is best used to engage with the community. In other words, to allow communication on a more personal one-to-one basis.

This is very different from the one-way communication generated by a TV ad, print ad, a website or an article. Social media engages meaningful two-way communications by encouraging and maintaining user-generated content such as stories, photos and videos and by interacting with the customer through questions and answers and educational support.

Ultimately, social media is all about talking with customers, not at customers. Throughout our research-driven marketing initiatives, we have taken steps to be wherever our customer wants us to be, whether it's on TV, on the internet, social media, in their mailbox or at their favorite shopping mall. And, most importantly, in each one of these venues, our customers can clearly see that we're offering them the jewelry, and the shopping experience they desire to have.

Of course, the proof is in the sales results and in the customer feedback. Earlier, Mark mentioned our record breaking customer satisfaction index. We have had over 2 million jewelry purchasers talk to us about their guest experience. There are likelihood to visit our stores again, and there are likelihood to recommend our stores to someone else who is important to them.

We're proud that in 2012, all of these scores are at all-time high. After all is said and heard and seen, this is the most effective marketing message Signet can have working to drive future sales.

Now, please welcome Tryna Kochanek, our Senior Vice President of Field Operation.

Tryna Kochanek - *Signet Jewelers - SVP Fields Operations US Division*

Thanks, George. Good morning, everyone. So, why is Signet different? We've heard and seen a great deal of proof from our financial performance, evidence of our enthusiasm and passion, compelling arguments about why our long-term success is by design. But let's finish this morning by actually asking and answering the question, why are we different?

As Mark described, our people make the difference in creating the superior customer experience. But what's that really mean? Why is the superior customer experience more than just being attentive or nice? Well, I want to think about it. Let's talk about a jewelry store environment for a moment, picture a jewelry store, iconic, in your mind. Every single piece of jewelry is in a display case, under lock and key and requires personalized service.

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That means that by design, a Signet team member represents the final two feet of the supply chain with the customer. There's a lot that can transpire within that 2 feet even before there's eye contact made or a word even spoken.

For example, we know that many customers have trepidation when purchasing jewelry, especially if it's an engagement ring. That apprehension, that anxiety, it makes it mission critical that we have knowledgeable sales associates that actively listen to the customer's needs, meaningfully engage with that customer and educate them on the features and benefits of each of jewelry.

We have those team members. Our people are trained to watch and listen for those emotional triggers and connect with each customer. Our team is there to assist the customer in selecting the perfect piece of jewelry that is exactly right for them.

Ultimately, our team is committed to delivering a superior customer experience, one that Signet is known for and one that is a vital, vital part of our store branding. Our people is there for our customers in that moment, in the follow up and when they come back to experience that unbeatable connection again and again.

Here's another example of specialized training that differentiates Signet from our competitors, each store has at least one certified diamontologist on the premises. This special certification is obtained from a non-profit organization, the Diamond Council of America. This specialization is an additional tool we use to service our customers like no one else can.

Why are we different? We are performance-driven with superior execution. And what does that mean? It means that we recruit, motivate and retain the most qualified people to delight our customer, to deliver that experience that I just described. Every single store manager is trained to recruit candidates who are performance driven, fit within our culture and have a willingness to continuously learn. And they have to want to exceed our customer's expectation.

At Signet, we are building lifelong careers for people. To that end, the retention of our well-trained team members is extremely critical. I'm also pleased to tell you that we believe that our team members have a higher retention in the market and market leading in our retail sector.

Once on board with our company, a team member quickly realizes that we nationally advertise exclusive brands that allow them to connect with their customers through stories and emotion. Through these emotions, their jewelry gift helps the customer say exactly what they want to say to their recipient or to themselves. Our people help maximize the effect of that very special moment.

Next, we have proprietary standards that we use to monitor individual performance on a daily basis. This allows us to determine where training and/or coaching is needed along with some recognition of exceptional performance.

All of our team member's promotion, annual reviews and incentives are performance-based with an emphasis on customer service. This approach is paramount to our success and is fostered throughout the Company.

We also have, and you've heard the term already this morning, a promotion from within philosophy for our entire field organization. Each of our 126 district managers and 18 vice-presidents, including myself, at one time have operated a Signet store. This is an extremely unique competitive advantage, and it illustrates the depth and breadth of the talent and experience within our team.

So, why does that kind of training matter? What are the long-term gains? Well, on a purely fundamental level it's culturally motivating and it serves as foundation for building a career. Another more impressive gain -- that is all of our training is seated deeply within the organization. That's because everyone begins learning about our brands, our products and our policies day one.

So when an individual is promoted to a district manager, he or she is not starting to learn the basic of the Company. By that moment, the knowledge and the experience is embedded in their DNA.

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Now, I'd like to expand on our training and how it's part of our culture and metrics for continuous improvement. To give you a stronger, more immediate sense of our commitment to training, in the registration area, you will find the table that displays all of our training materials. We invite you to stop by and see it for yourself.

What you'll first notice, we do not purchase off the shelf training. All of our training is ours. We own it. It's developed 100% internally and it's based on our customer consumer research, employee needs analysis and our corporate initiative.

This completely organic process operates from the position that we're not just training team members; we're training business managers and customer experts. This gives Signet an additional competitive advantage. And in return, our managers earn an annual bonus based on the bottom line profit of their location.

So, why is Signet different? At the end of the day, it's because of our culture-building, fulfilling, passionate, lasting careers through exceptional training and proven performance metric, to create engaged team members to genuinely work as a team to continuously improve. This is the most dynamic element of our success and it drives our record sales performance levels. It's an element no Signet competitor can match or even come close to match.

I'm excited for all of you to witness our competitive strengths as you visit our store this afternoon. And thank you all very, very much for coming this morning.

Now, I'd like to welcome Ron Ristau, Signet Chief Financial Officer.

Ron Ristau - *Signet - CFO*

Thanks, Tryna. Good morning, everybody. Well, before I wrap up what the financial implications are for all these initiatives, I'd like to take you through three areas we haven't yet addressed and that's credit, managing commodity cost and inventory.

Our credit operation is an important underpinning to our business and plays an important role in enabling our customers to buy the jewelry they really desire. To the end of our second quarter, 57.5% of our US sales made use of our in-house credit.

This percentage has been increasing over the last 3 years, as our Bridal business grown and as customers have chosen our credit over that of bank cards. Remember, virtually, 100% of sales use some form of credit.

We welcome the increase from the use of our credit programs, as we have very definitive approval criteria and fully understand the credit risk and profitability of our decisions. For bridal customers, credit penetration can reach 70%. This is the natural intersection of our product quality, sales experience and financial strength. It is one of the many competitive strength the US Division possesses.

For example, you know when you walk in to one of our stores that you're going to interact with the best qualified and trained individuals in the industry. You also know you will find exclusive merchandise offerings that our competitors cannot match, and that our credit programs which are tailored to jewelry purchases in our stores offer a greater ability to complete a purchase than that alternative sources of credit can offer.

By managing our credit in-house, the decisions we make are made in the context of our overall business and the relationship with our customer. We look at the total return we get from the customer relationship, in particular the merchandise margin achieved from additional sales is considered in the context of credit risk.

Our operating structure and policies are designed to ensure that all credit risk is managed independently of the sales process with many checks and balances in place. We use highly specialized credit decision models that are based on lending to customers who specifically buy jewelry from us. No outside third party could recreate these.

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They enable us to make informed decisions when judging whether to lend to a customer and so help create a superior customer experience. For the purchase of jewelry, we have a greater range of approval than other credit suppliers. And as we understand the jewelry purchased behavior, we take great care on our decisions and our credit approval rate remains approximately 50%.

It is important to note that we are short-term lenders. Our programs are designed for the rapid repayment of outstanding balances, as we seek to facilitate the purchase of jewelry rather than earn interest on our outstanding balances.

We collect 12% to 14% of our outstanding receivables book each month, meaning that on average we're repaid in less than a year. This is a key fact in our ability to self-finance the receivables. Our credit performance recovered rapidly after the recession and net bad debt has now normalized in a range of [3.4%] to 3.8% of US sale (company corrected after the call).

This range reflects an increase in the accounts receivable balance outstanding as customers have made greater use of our credit. As a percentage of outstanding receivables, our net bad debt experience continues to improve and the portfolio is strong.

The benefit of our credit programs can be measured with the lifetime value of a credit customer being 3.5 times that of a non-credit customer. And each credit purchase is typically of greater value than a non-credit transaction. And, of course, we save on third-party bank card charges.

So, that wraps up my discussion on credit, an important tool in our total customer experience.

Next, investors also ask about commodity cost often -- certainly, a good question in these times. We have a long history of successfully navigating the impact of changes in commodity cost in our business, including an active and thorough commodity hedging program.

Our goal is, at a minimum, to maintain our merchandise margin rate over time by reflecting changes in commodity cost in our prices. The customer understands that jewelry has a lasting value, and that the underlying materials utilized cost more overtime.

Jewelry is an emotional, complex and infrequent purchase, which means that there are many factors in the customer's decision. It is our responsibility to always provide a selection of high quality products at a range of key price points providing great value to meet customer's budget and merchandise requirement.

We have successfully introduced innovative designs and materials that have been readily accepted by the customer, and have enabled us to meet customer's expectations across a broad spectrum of prices. Our merchants have time to carefully manage the merchandise selection, pricing and merchandise margin rate as our inventory turn, for discussion purposes, is approximately one time per year.

In addition, our use of the average cost inventory methodology gives them forward visibility regarding commodity cost when planning our merchandising collections and pricing strategies.

Lastly, I would point out that we maintain the most sophisticated and effective management system in the industry to plan and control inventory. All products are tracked daily for turn and sell through efficiency by SKU and by store. You've heard us talk about our strong test before we invest culture, proving products before introduction.

Unit turns in reality are approximately 1.3 times, which we believe leads the industry. Commodity inflation offset by efficiency has been the driver of change in inventory levels over recent years. However, our response in effectively managing unit inventory turn has been key to controlling these numbers. We are clearly best in our industry. And I would just note on the slide that, unlike apparel retailers, there is virtually no mark down risk in our business.

So in summary, I believe the US management team gave you a better understanding of the competitive strengths of our business. And I, again, like to thank them and all of our associates for their consistent market leading performance.

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Let's now turn our attention to what this means for our financial performance. I'd like to reiterate Mike's opening point that the US represents 94% of our operating profit and is clearly the main driver of value. We believe this powerful business will continue to strengthen.

In addition, our UK business, we have solid plans to successfully operate our market-leading business and return to double digit profit margins. I would also note that over 95% of the trading in our shares, is now carried out in the US since our move within the New York stock exchange in 2008.

And we recently completed the move of all the corporate finance and IR functions back in Ohio, so our corporate functions are now situated with the core of our businesses in the heartland of the US.

We believe that in the market in which we operate, we have established leadership positions and proven operating models that can deliver consistent profit and sustainable cash generation through a variety of economic backdrop. Our operating income has consistently grown since the financial crisis, as demonstrated on this slide, and in fiscal 2012 reported record operating income of $507.4 million, a 33% compound annual growth rate since fiscal 2009.

Our diluted earnings per share last year was $3.73, a compound annual growth rate of 36% since fiscal 2009. We reported further growth in fiscal 2013 year-to-date, that is the end of our second quarter. Operating profit and EPS were again at record levels with operating profit of $240.3 million, an increase of $19.3 million or 8.7% and earnings per share of $1.81 an increase of $0.18 or 11% over the comparable period.

The quality of this growth has been particular impressive. It's been driven primarily by sales productivity as the real estate opportunities have been limited. Now, this situation is starting to improve, as you heard from Mark.

We've improved our gross margin from 32% of sales in fiscal 2009 to 38.3% last year. This is attributable to gross merchandise margin enhancement, credit performance and leverage on the store occupancy cost structure. Our SG&A as a percentage of sales has consistently improved from 29.1% to 28.2% driven by expense control, but while making targeted investments to increase sales and drive competitive strength.

As I indicated, a key driver of the growth in operating profit has been increased productivity. In fiscal year 2009, the store productivity at Kay was 1.5 million per store and increased last year to 1.9 million, an increase of 25%. Kay continues to set new records driven by the store experience, development of the merchandise selection and marketing.

For Jared, the comparable figure was 4.5 million, increasing to 5.2 million last year up 15%. As a reference point, the historic peak for Jared were 5.7 million, and we continue to move towards this level. We strongly believe that we can further that we can further increase the productivity of both concepts as we continue to apply our competitive strength.

Our improved store productivity is reflected in our operating margin, which increased from 6.5% in fiscal 2009 to 13.5% last year. And in the year-to-date, it increased further by 60 basis points over the comparable period.

We have an unrelenting focus on sales productivity, as you've heard this morning, through our multi-channel execution. This is driven by great customer experience built on our outstanding sales teams and training program, innovative merchandising initiatives, in particular, exclusive brands, highly effective advertising, continual investment in productivity enhancing technology and credit.

Margin improvement will also be driven by increasing our distribution points and sales leverage on central support functions. We have a commitment to, at a minimum, maintaining our merchandise margin and leveraging expenses as we increase sales.

We will invest in sales enhancing initiatives that will drive strong profits in the future and continue to build these competitive strength. We are committed to increasing operating margins in all our business and continue to see new records. While not specifying a timeframe, we believe our next key milestone is to achieve an operating profit of 15% or better.

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We have a proven ability to generate cash over a variety of business cycles. This year, we expect to generate free cash flow of over $220 million, after investing $155 million to $165 million in capital.

Our capital is being directed a projects that build sales, develop world-class infrastructure capabilities and enhance our customer's experience and creating operating efficiency. Reinvesting in our business remains our first priority. To further drive shareholder returns, we introduced a $0.10 quarterly dividend in fiscal 2012 and increase it early this year to $0.12 a quarter.

We also opportunistically repurchased $300 million of our stocks since early 2012. This represented 6.6 million shares or 7.7% of the shares outstanding. And the Board increased the repurchase authority by $50 million in July. Please note that our repurchase program has managed to drive long-term shareholder value.

The Board also monitors the cash position of the business, and will take appropriate steps to maintain within target levels. The Board will also take account of tax policy set by the government when deciding its future policy. However, we believe both dividends and repurchase programs have merit.

I remind you that we have a yearend cash target of 7% to 9% of sales, as we believe a strong balance sheet is an important competitive strength. We believe that this level of cash provides us with the necessary operating and financial flexibility to manage effectively.

So now, in summary, I'd like to just reiterate the drivers of future earnings growth. We are the number one jeweler in an industry that has historically grown about 4% each year on average. Over time, we have a record of gaining market share and are committed to gaining further increases in profitable market share via our people, products and marketing.

We have a proven ability to prudently and thoughtfully manage assets and expenses in all phases of the economic cycle. And we believe earnings will grow as we focus on improving our productivity and generating leverage from increased physical points of distribution and growth in the digital environment. The ability of our model to create free cash flow provides further opportunity to increase EPS through a variety of opportunities.

We believe that this is a powerful compelling business model. And we are confident that as our customer celebrate their lives, our people, products and service will continue to make us their preferred jewelry shopping destination.

Thank you for your attention this morning, and I'll now hand the program back to Mike for the question and answer session. Thank you.

Mike Barnes - *Signet - CEO*

Thank you, Ron. All right. Don't worry, I'm not going to say let's take it from the top and start all over the again -- okay -- although a message like that deserves to be repeated and certainly should be retained. What I would like to do is thank the best management team in the entire retail jewelry industry for some great and excellent presentations. You guys tell the story so well, and it really means a lot.

You know, I believe that our outstanding performance, it's not by chance; it's based on sustainable competitive strengths many of which you heard today from the team. Our business model is built on truly understanding our consumer, and continually evolving to better respond to their ever-changing need. It's about recruiting, training and retaining great people, providing them with compelling product initiatives supported by outstanding advertising and then delivering a superior in-store customer experience.

With that in mind, I'd like to ask the team back up and we'll be happy to take questions. I would ask that you please wait for a microphone before stating your question, as this is being webcast this morning. And we would also like to limit questions to one per person, to give everyone an opportunity that would like to ask questions to do so.

Thank you.

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QUESTIONS AND ANSWERS

Oliver Chen - *Citibank - Analyst*

Hi, it's Oliver Chen from Citibank. Regarding the operating margin opportunity up to 15%, how should we think about the split up between gross margin and SG&A? And also, regarding gross margin, the diamond prices have been volatile as of yet. Does that imply opportunity on the GM side?

Mike Barnes - *Signet - CEO*

Can you take that, Ron?

Ron Ristau - *Signet - CFO*

Yes. As we move towards 15%, I think it will be -- number one, driven by comp stores. It will be driven by increases on our real estate investment so that we can leverage growth. I believe that it will be also driven by leverage on the structures that happen. Okay?

Our credit portfolio, as I said, it seems to be focused in on 3.4% to 3.8% of sales. I would say that there should be some improvement in credit, but I wouldn't say credit would be a major driver of the margin efficiency -- more driven by sales productivity, comp store sales and leverage due to new store growth.

In SG&A, what you saw on the slide was that it was slow and steady improvement. And I think that's what our message would be -- continual slow and steady improvement. Because what we do is we'll take opportunities to invest in advertising with a great program that George puts together, and things that drive sales where we need people in the social media supporting.

So, there are investments we have to make to further drive sales, but I would say slow and steady on SG&A as we go forward.

Mike Barnes - *Signet - CEO*

Your second part of the question was about the diamond supply?

Oliver Chen - *Citibank - Analyst*

Regarding the commodity cost and diamonds year-to-date, they're down in the mid-single digits. How do you interpret that in terms of your pricing strategy? And on the rough diamond side, what percentage of mix do you source currently versus your longer term opportunity to source directly?

Mike Barnes - *Signet - CEO*

Well, first, I would say, as it comes to the costing and what our goals are, we have stated pretty openly that our goal is broadly maintain our gross merchandise margin and we will set our prices to do that. We have taken pricing, and price increase is on a year-to-year basis for a number of years as the prices of all commodities have continued to rise over time.

And you're right that the diamond prices have abated quite a bit and there's less pressure on that. But keep in mind that it takes a long term sustained increase or decrease to really make a large difference with us because with our average costing methodology in our turns, as Ron mentioned being around 1.3 times a year -- it takes about a year for any kind of cost movement in either direction to really flow through there. It all gets kind of smoothed out on the commodity front.

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Jennifer Davis - *Lazard Capital Markets - Analyst*

Hey, Ron, I had a follow up on Oliver's question. It's Jennifer Davis from Lazard. Regarding the new stores, I think you're opening 48 new stores this year. And I think that you said 60 next year, but I don't know --.

Ron Ristau - *Signet - CFO*

We said 60 to 70 next year, Mark indicated.

Jennifer Davis - *Lazard Capital Markets - Analyst*

Okay.

Ron Ristau - *Signet - CFO*

So we're seeing some improvement in the availability of space, particularly in Kay off-mall and outlet area.

Jennifer Davis - *Lazard Capital Markets - Analyst*

Right. But will that have a negative impact on buying and occupancy --?

Ron Ristau - *Signet - CFO*

No. I believe that it's still too small as a percentage of our total fleet to have much of a drag, if any at all, on our operating margin. So, I don't believe that will be significant.

Jennifer Davis - *Lazard Capital Markets - Analyst*

Good answer. But my question -- sorry. My question is, Mike, I guess or anyone who wants to take this, could you talk about some of the learnings maybe you have with online in terms of -- that now you have more sales online in terms of either new merchandise or how promotions are doing and, like, what you can apply to stores or some of maybe the better selling items or weaker selling items and anything that you can take from learnings there and apply to in-store? Thank you.

Mike Barnes - *Signet - CEO*

Well, you guys get to listen to me all the time, it seems like. So I'm very happy to have the team with me. So I'll throw it over to Ed to talk about the merchandise a little bit.

What do you see Ed in terms of how the merchandise is doing online and what really drives the sales? I mean, pretty incredible increase in our online sales, as was mentioned earlier, and that is up 40% year to date through the first couple of quarters. So, what's happening with the merchandise there?

Ed Hrabak - *Signet - COO US Division*

Right. Well, you'll see the new websites that are going up here in a few days. And that's when the additional SKUs will make their real appearance there. So, that increase in SKUs plus the new CASSi tablets that we have in store, I think, is going to give us a great one two punch.

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To your point, no question in having that many SKUs out there -- the merchants will actually be able to put some of the test programs out there and get a much quicker read. So, again, we've been really focused on getting quicker to market. This will only help us do that for sure.

Unidentified Audience Member

Mike, you've been teasing us with the new merchandise for the past couple of calls, and it's good to see three new brands coming into the stores as well as Neil Lane designs. I'm just wondering, I know you test a lot, but what happens as you start to get so many new brands in the store at one time? I mean, does that increase customer excitement and traffic, or can it potentially confuse them, like JCPenny is doing? I'm just wondering.

I assume your tests have included all of this new merchandise in the same units. I'm just kind of wondering how the customer reacts.

Mike Barnes - *Signet - CEO*

Thank you for the question. That's great question. And we're not associated with that other company you mentioned there. Just to be clear.

I don't think the customer is confused at all. I think that the team has done an exceptional job of planning these rollouts to really maximize the excitement for the customer and to get them to come back on repeat visits time and time again, and that's what it does.

As you'll see, some of these rollouts are line extensions. This Neil Lane design thing is absolutely unbelievable. It tested incredibly well in the stores, and that's what drove the rollout of that. The other brands that we're rolling out are really fitting in to parts of our assortment that we needed to have. Colored diamonds are a huge story of this year -- all kinds of color. The Artistry Blue Diamonds is an incredible new brand that we're putting out there. And every one of these tested extremely well, or we would not be rolling.

And it's worth repeating, the Artistry Blue Diamonds are rolling to all mall and Jared stores. Neil Lane design is going to Kay and Jared. The -- Lois Hill is going in to all Jared stores -- the beautifully designed silver line that we have. These are things that our customer wants.

The customer is still willing to come in and to buy merchandise, but they want the innovation, newness and fashion and that's what we're giving to them. So, I think it's actually a perfect time for us to roll out new fall assortments, new brands, and line extensions, and our customers are going to appreciate it and they're going to come in and shop [with it].

Unidentified Audience Member

Yes, I'd like to follow up on the online business. Can you talk about what percentage of sales there are credit? What has been the bad debt sale with the credit sales online? How is the pricing online any different than in stores in that you don't need to keep any inventory there?

Mike Barnes - *Signet - CEO*

George, do you want to take that?

George Murray - *Signet - SVP Marketing, US Division*

Sure. Yes, in terms of -- first of all, the pricing, and our overall strategy is to align the promotions and the pricing with our stores. So, there is no difference in terms of the pricing between our stores and our online. And part of that is the fact that we believe strongly we wanted to agnostic about where the customer bought from us. We just want to make sure they buy from us.

So part of it is having the ability to ship the product that was bought online to the store to pick it up. So, we see that as a key benefit. Also, in terms of the promotions, we run promotions -- we run no promotions online that are not run in store.

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So we make sure that we don't disenfranchise our store associates and that's particularly important now with the new CASSi system, the in-store tablets, allowing the store to work with this 10-time inventory lift that we'll have here in the next few days, so that they have the ability to sell against the long tail of inventory. So, those are all pieces and parts of how we've leveraged the e-commerce business to make sure it enhances the store and vice versa.

Andrew Hughes - *UBS - Analyst*

Hi. It's Andrew Hughes here from UBS. Election year, if I can ask a question about that, just in the past I think we've seen some changes in the pattern of timing on advertising and peak period sales. Can you just remind us what they are and what you do differently in an election year than a normal year?

Mike Barnes - *Signet - CEO*

Well, I wouldn't say that the fact that it's an election year is changing any of our timing. We've had several shifts and timing this year and we have more shifts and things that were going to come up against.

Ron, you want to kind of run through what those shifts have been and what they will be for this year?

Ron Ristau - *Signet - CFO*

We had a first quarter shift where some promotions move from first quarter to second quarter because Mother's Day moved back a week. In the third quarter, we had a shift due to Rolex. We had a big Rolex close-out promotion going on last year, and we will not be repeating that this year. So, that will be affecting our third quarter.

In the fourth quarter, we have the all popular 53rd week, which no one understands. But basically, we'll move one of our key valentine promotions from the fourth quarter into the first quarter of next year. So what will happen is when we report the 53rd week, we will report negative comps on the 53rd week and we will report a loss of about $2 million to $4 million. I believe we've discussed in the fourth quarter for that week.

And we'll break that all out for you, so it's all clear and everyone understands the difference between 52 and 53 and hopefully in 4 or 5 years you won't have to deal with this again. But it will all be broken out separately, but there will be a small shift that occurs in the fourth quarter.

Mike Barnes - *Signet - CEO*

The timing of the advertising doesn't really change. And as George mentioned earlier, we have some extremely compelling advertising coming this year during the same holiday period that we had last year with some brand new ads, some of which you saw today, but there's more than that coming as well.

We're fortunate -- the two big events that really took up advertising this year -- the Olympics, were over in August and, fortunately, the election is going to be over in early November and not in the last 6 weeks of the year when we're really out there driving the advertising. So, we're very fortunate that we're able to actually increase, as George mentioned, our advertising impressions this year, and I think it's going to be really exciting for us and a great holiday season.

Bob Peck - *FPR Partners - Portfolio Manager*

Bob Peck. You've all spoken about how important your people are, can you go into some more detail about how you recruit and select people as they're coming in and then in ongoing way how you incentivize them to stay and just also speak to your attrition rates over time in the stores?

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Mike Barnes - *Signet - CEO*

Sure. Tryna?

Tryna Kochanek - *Signet Jewelers - SVP Fields Operations US Division*

Sure. Every single one of our store managers is a unique model. It doesn't have a centralized model where every single recruit comes from the home office. The managers and the district managers are trained and it's part of their core competency and part of their incentive to recruit and retain high-quality people.

They're also trained in behavioral-based interview, so you can make sure you're getting the right type of person, when I spoke about customer service, when I spoke about wanting to learn -- just all of that. And then, we have psychometrics that they take a little test online, and so that really confirm for us.

In terms of retaining, approximately 25% of all annual compensation is based on incentive or bonuses. So if you're good and you do well, you do well. So obviously, there's a piece of that compensation.

When I spoke specifically about promotion from within, that's a unique, unique advantage that not a lot of people necessarily understand. But even if I don't get promoted to be the assistant manager or the manager, I know who I was competing against.

And so, I'm happy for them and there's a clear understanding of why that person was promoted over me, as opposed to plucking someone out that really doesn't know how to walk a mile in those moccasins, so to say. So, that's a huge retention piece that when we bounce it up against retention, it effectively -- it's a huge motivator, even when you're not the one getting promoted.

In terms of our turnover, it's roughly mid-teen to low teens, 10% to 15%, which in retail is pretty unheard of. So, did I get them all? Excellent.

Unidentified Audience Member

I'm curious in terms of the margin opportunities -- if you could give us a sense of what level of comp you need to leverage SG&A and/or what you anticipate the dollar growth to look like going forward relative to your expectation for sales growth.

Mike Barnes - *Signet - CEO*

Ron?

Ron Ristau - *Signet - CFO*

Well, we leverage -- essentially we leverage most of our expense structure with very low comp. So, in the range of 2% to 3% comp we start to leverage, particularly in-store, our occupancy expenses and items which are fixed.

All of our other leverage depends upon decisions that we make and how rapidly we're deciding to invest in advertising or build-out some of the staff and things like that. But in general terms, it's about 2% to 3% comp. Okay?

We have not made any real predictions here relative to the comp level going forward. All I did was point that the industry has grown over a number of years at around a 4% rate. And we believe that it's not like rocket launch to will get to 15%. You don't need tremendously high growth rates in order to get there.

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And we haven't specified a time for that, that's our goal. I want to be clear about that -- that the 15% is our next goal. If we ever get to 15%, we might set another goal. Okay? But today, sitting at 13.5%, and people always ask us, can we expand the operating, are we at peak margin?

Our answer clearly from the presentation today is, no, we're not. We're about a continuous improvement. We continue to gain productivity. We continue to gain market share. We continue to pour on the power of advertising in our people in order to drive sales in our stores. So we're very confident that we will continue to expand our margins, and that's what we tried to lay out here for you today.

Mike Barnes - *Signet - CEO*

I would also say that what we want to do is deliver long-term value to the shareholders through continued growth in both sales and profitability on a very sustainable basis. And so, we will continue to make all the appropriate investments back into our business that you heard about today -- a lot of the exciting initiatives to make that happen.

Ike Boruchow - *JPMorgan - Analyst*

Ike Boruchow, JPMorgan. Can you guys talk from a high level on the -- just the competitive landscape of the specialty jewelry business in the US today? There have been a lot of changes in the last several years and rationalization. How do you guys think about it today? Is there still ongoing closures from independents? And are you seeing the same benefits?

And then, can you also comment on some of your smaller players that are -- seem to be doing a little bit better this year than in the year's past?

Mike Barnes - *Signet - CEO*

Mark, do you want to take that?

Mark Light - *Signet - President and CEO US Division*

We kind of view the competitive landscape -- have two competitors sets. With Kay, which is [primarily] obviously a mall jeweler and it's a chain, we're dealing with our biggest competitor that's based in Dallas and there are some regional chains out there, and they seem to be getting some momentum. And we always take care of our competitors very, very seriously. We're always focused on watching what they do and making sure we're steps ahead of them.

So on the mall front, there are competitors, the regionals and (inaudible) they seem to be gaining some momentum and we're watching them and we're making sure we stay ahead of them.

On the Jared side, the different competitive set. We're dealing with the major -- in all the markets we're in, our biggest competitor is a strong independent that's based in the marketplace. Whether it be in Columbus, Ohio or in New Jersey or in Kentucky, there's always a strong independent competitor.

And that set has been having some challenges through the recessions. It really -- as you said, it's rationalizing and a lot of closures have been happening. What's happening now is that competitors seems to be getting a little stronger. You're dealing with the ones that kind of flushed out during the recession -- the weak ones that went out and the stronger ones are taking us very seriously in looking at Jared as a major competitor.

So we are constantly focused on what we need to do in Jared to make sure that we can go up against an independent, make sure we have differentiated products, we make sure we have strong sales associates and the store to compete with them. So, those competitors seem to begin stronger. There's not as many of them, but the ones that are left seem to be getting stronger, and we take them all very, very seriously.

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Mike Barnes - *Signet - CEO*

And if you look at the levels of productivity that we have in our stores compared to those competitors where you can also see the productivity, it's pretty compelling story about Signet and Kay and Jared stores.

And we're not done yet, we haven't reached the ceiling. We believe that we can drive much more productivity through the existing stores, as well as the new stores that we're going to open. So, we're not kind of resting on our laurels here. We are -- as Mark put it, we are taking all competition extremely seriously and we're not going to stop.

James Pan - *CP&E Partners - Analyst*

James Pan, CP&E Partners. Just a question about your branded items. What percentage of our sales in the US or corporate-wide are branded versus 5 years ago? I'm trying to get a trend. Thank you.

Mike Barnes - *Signet - CEO*

Well, let me give you some numbers going back about 3 years. 3 years ago, it was about 19% were -- not just branded, but either exclusive or differentiated ranges of brands for us in the US marketplace -- so 19%. The next year it went up 300 basis points to 22%. And then, last year, it went up another 400 basis points to 26%.

And basically, that's a number that we give on an annual type basis. So, we'll see where it ends up this year. But I believe Mark or Ed mentioned in their presentation that we continue to see the exclusive and differentiated brands continuing to grow in our business.

James Pan - *CP&E Partners - Analyst*

Is there a long term objective?

Mike Barnes - *Signet - CEO*

The question is, was there a long-term objective in terms of mix of percentage sales? And the answer is, no. We're going to let it find its own level. We believe that it's compelling and that people will continue to gravitate towards the brands.

I believe that brands will become more important in every aspect of business not less important because the world is a smaller place and there are many more avenues to communicate through, as George pointed out in his presentation as well whether it'd be on the website, social media, through the mail, on TV.

So I believe that this gives us an opportunity to continue to take a competitive advantage over most of our competitors because this sets us apart. These great and unbelievable exclusive brands we have, you can't get them anywhere else. You have to come to us. And that's why he went to Jared because you can't get these brands unless you go to Jared or Kay that are exclusive or where we have a differentiated range of products within the brand.

Rick Patel - *Bank of America - Analyst*

Hi, good morning. Rick Patel, Bank of America. You mentioned before that for your UK remodeled stores, you're seeing an improvement in the sales trends there. Is there any way to quantify the lift that you're seeing in productivity and perhaps also comment on the four-wall margins of those stores? And also, give us some color on just the pace of remodels of your (fades out).

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Ron Ristau - *Signet - CFO*

Well, we tend to remodel at the end of lease lives. Right? And we look for a 25% return on investment on our remodels, which is actually higher than what we set for our initial investment. Initially, when we open a store, we look for about 20% return on our investment. On remodeling, we look for 25% because a store has reached maturity, and therefore, the payback will be faster on remodeled stores.

So it gives us a lift all of our remodeled stores are very successful. We track it extensively. We report on all of our remodel activity on an annual basis to the Board. So, it does give us some nice comp lift, and it gives us a nice operating profit lift. But I couldn't be more specific than that.

Mike Barnes - *Signet - CEO*

On the UK part of your question, as I mentioned earlier, last year we have 7.8% operating income, which is pretty darn good, and especially in an environment like that, but we know we can do better. We've been there before and we know how to get -- we have a roadmap of how to get back to 10%-plus operating incomes in the UK. And that's an overall operating income for the market.

We don't really breakout the four-wall performance, specifically. But the two main points out of that are that from a real estate perspective, we continue to rationalize underperforming stores and close those as is appropriate. And at the same time, we continue to invest where we are seeing the unbelievable performance, especially in these really big regional malls, like the Westfield Malls in London, the Bullring mall in Birmingham, there are so many -- Trafford Park in Manchester area. These malls are just driving incredible amounts of traffic, and the performance there is fantastic.

And I'm very pleased that we made the decision in these areas to do things like expand store size, put in brand new concept designs, utilize technology within these stores because in that market as well as in the US market here, we continue to set ourself apart from the competition. We are far and away the market leader with the number one and the number two store brands in the jewelry sector in the UK market.

I think we have time for about one more question.

Unidentified Audience Member

I'm curious in terms of your supply chain and sourcing what your plans are as far as acquiring interest and things. I'm thinking in terms of Ekati [mine] which is up for sale, and I know Tiffany has gone into partnership with a number of local producers in Africa. I'm wondering what your thoughts on long-term on that aspect.

Mike Barnes - *Signet - CEO*

Well, as Ed mentioned earlier, our goal is to solidify our supply chain and ensure that we can get a consistent supply of products, especially diamonds which is our largest raw material, for the years to come to service our customers and allow them the selection that we need to allow them.

We're taking a lot of different steps in there. Becoming a Select Diamantaire with Rio Tinto, one of the biggest mining companies in the world, it's not a material move for us, but it's a very strategic move and it's something that we believe is going to help us continue to solidify the supply chain.

Having said that, we have a lot of unbelievable supply partners and we're doing everything -- Ed and his team are doing everything possible to build better and lasting partnerships with all of these suppliers.

We realize that we put the customer at the center of everything we do, but we have to have incredible relationships all the way through that supply chain from the very beginning where we're working with our suppliers, whether it'd be Rio Tinto as a miner, our manufacturing partners. We buy a lot of these materials ourselves, as Ed put it, and we manufacture it, ourselves.

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So we're doing everything from start to finish all the way from upstream to downstream to really partner with our suppliers as well as our customers.

And with that, ladies and gentlemen, again, I'd like to thank you for joining us today. I really appreciate it. I hope all of you are going to make it to the stores with us because we're going to have some exciting things to see out there as well.

Thank you so much.

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