Signet Group plc Christmas trading statement

January 10, 2008 10:14 AM ET

Like for like sales 8 weeks to 29 December 2007

Group down	6.8%
US down	8.1%
UK down	3.1%

Like for like sales 47 weeks to 29 December 2007

Group down	0.2%
US down	1.0%
UK up	1.8%

COMMENT

Terry Burman, Group Chief Executive, commented: "In a very challenging consumer environment on both sides of the Atlantic, Group like for like sales were down 6.8% over the eight week period. Profit before tax for 2007/08 is currently expected to be between $330 million and $340 million. Against the background of more difficult economic conditions, the Group's strong balance sheet, superior operating metrics and sector leading execution are vital medium and long term competitive advantages."

"In the US, the like for like sales performance over the Holiday season was clearly disappointing. We remain focused on implementing our proven strategy and on gaining profitable market share."

"In the UK, while like for like sales declined in the Christmas period they are ahead for the year to date reflecting improved execution in a difficult market. Further enhancements to the basic retail disciplines are planned for 2008, including the initial roll out of the new Ernest Jones store design."

"The consistent growth in the holding of US beneficial shareholders has meaningfully accelerated in recent weeks and as a result Signet may soon become a domestic issuer for SEC purposes. The Signet Board has kept under close review the most appropriate domicile and stock market listing for its shareholders as a whole. In light of the recent changes in the shareholder base of the Company, the Board will further consider these matters, including seeking the views of its shareholders. There is no certainty as to the outcome of this assessment, even in the event of Signet becoming a domestic issuer."

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Signet operated 1,971 speciality retail jewellery stores at 29 December 2007; these included 1,402 stores in the US, where the Group trades as "Kay Jewelers", "Jared The Galleria Of Jewelry" and under a number of regional names. At the same date Signet also operated 569 stores in the UK, where the Group trades as "H.Samuel", "Ernest Jones" and "Leslie Davis". Further information on Signet is available at www.signetgroupplc.com. See also www.kay.com, www.jared.com, www.hsamuel.co.uk and www.ernestjones.co.uk.

GROUP

In the eight week period to 29 December 2007 like for like sales were down by 6.8%. Total sales fell by 3.7% at constant exchange rates (see note 1) and by 2.8% on a reported basis.

In the 47 weeks to 29 December 2007 like for like sales declined by 0.2%. Total sales increased by 3.7% at constant exchange rates (see note 1) and by 5.6% on a reported basis. Profit before tax for 2007/08 is currently expected to be between $330 million and $340 million. The Group's operating margin is expected to be between 9% and 10%, with a Return on Capital Employed of

about 18%. The Group's cash flow for the full year, reflecting an investment in new space of approximately $200 million, is expected to show an outflow of about $150 million before any changes in equity share capital. The balance sheet remains strong.

UNITED STATES (circa 74% of Group annual sales)

In the eight week period to 29 December 2007, US like for like sales declined by 8.1% and total sales fell by 3.6%. The average selling price marginally increased in both Jared and the mall brand stores. Pricing discipline was generally maintained, although in response to competition, additional promotional activity within the Journey product category had some adverse impact on gross margin. Overall the decline in gross margin, including the impact of commodity cost increases, is likely to be in line with expectations.

In the 47 weeks to 29 December 2007, like for like sales decreased by 1.0%, with total sales up by 4.8%. Net new store space is expected to have increased by 10% during 2007/08. Bad debts as a percentage of credit sales for the year is anticipated to be at the high end of the range of the last 10 years, reflecting the weak sales in the fourth quarter rather than a material deterioration in the performance of the credit portfolio. Although the divisional operating profit for 2007/08 is expected to be below that of last year, the operating margin is anticipated to be close to 10%, well above the typical level of the US jewellery sector.

UNITED KINGDOM (circa 26% of Group annual sales)

In the eight week period to 29 December 2007, UK like for like sales declined by 3.1%, with total sales down by 3.8% at constant exchange rates (see note 1) and by 0.3% on a reported basis. The average selling price was up in both H.Samuel and Ernest Jones. Watches continued to outperform but the diamond category performance in Ernest Jones was disappointing. In a retail marketplace that was highly promotional, pricing discipline was maintained and the gross margin is anticipated to be in line with last year's level.

In the 47 weeks to 29 December 2007, like for like sales rose by 1.8%. Total sales at constant exchange rates increased by 0.7% (see note 1) and by 7.7% on a reported basis. Divisional operating profit is forecast to be broadly in line with last year's level on a 52 week basis; and the business continues to achieve a healthy operating margin, a good return on capital and strong cash flow.

The breakdown of UK like for like sales performance is shown below:

Period	Ernest Jones (c. 12% of Group)	H.Samuel (c. 14% of Group)	UK (c. 26% of Group)
8 weeks to 29 December 2007	-4.4%	-2.0%	-3.1%
47 weeks to 29 December 2007	+2.6%	+1.2%	+1.8%

FOREIGN PRIVATE ISSUER STATUS

The consistent growth in the holdings of US beneficial shareholders has meaningfully accelerated in recent weeks. As a consequence the proportion of voting securities held by US residents in mid-December was just below 50% compared to approximately 38% in October 2007.

If this percentage were to rise to above 50%, as monitored on a quarterly basis, Signet would no longer satisfy the definition of a "foreign private issuer" under the rules and regulations of the US Securities and Exchange Commission (SEC) and would become a domestic issuer for SEC purposes.

In the event of becoming a domestic issuer, Signet would work diligently to meet additional US reporting and accounting obligations. Signet also would continue to file financial statements in the UK under International Financial Reporting Standards and to meet the obligations of a public listed company on the London Stock Exchange.

The Signet Board has kept under close review the most appropriate domicile and stock market listing for its shareholders as a whole. In light of the recent changes in the shareholder base of the Company, the Board will further consider these matters, including seeking the views of its shareholders. There is no certainty as to the outcome of this assessment, even in the event of Signet becoming a domestic issuer.

INVESTOR RELATIONS PROGRAMME DETAILS

There will be a conference call for all interested parties today at 2.00 p.m. GMT (9.00 a.m. EST and 6.00 a.m. Pacific Time) and a simultaneous audio webcast at www.signetgroupplc.com. To help ensure the conference call begins in a timely manner, could all participants please dial in 5 to 10 minutes prior to the scheduled start time. The call details are:

European dial-in:	+44 (0) 20 7138 0818	
European 48hr. replay:	+44 (0) 20 7806 1970	Pass code: 4880615#
US dial-in:	+1 718 354 1171	
US 48hr. replay:	+1 718 354 1112	Pass code: 4880615#

Fourth Quarter Sales
Fourth quarter sales figures are expected to be announced on 7 February 2008.

Note 1 - Impact of constant exchange rates

The Group has historically used constant exchange rates to compare period-to-period changes in certain financial data. This is referred to as 'at constant exchange rates' throughout this release. The Group considers this to be a useful measure for analysing and explaining changes and trends in the Group's results. The impact of the re-calculation of sales growth at constant exchange rates is shown below:

8 weeks to 29 December 2007

Sales by origin and destination	Growth at actual exchange rates %	Impact of exchange rate movement %	Growth at constant exchange rates (non-GAAP) %
UK, Channel Islands & Republic of Ireland	(0.3)	(3.5)	(3.8)
US	(3.6)	-	(3.6)
Total	(2.8)	(0.9)	(3.7)

47 weeks to 29 December 2007

Sales by origin and destination	Growth at actual exchange rates %	Impact of exchange rate movement %	Growth at constant exchange rates (non-GAAP) %
UK, Channel Islands & Republic of Ireland	7.7	(7.0)	0.7
US	4.8	-	4.8
Total	5.6	(1.9)	3.7

This release includes statements which are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, based upon management's beliefs as well as on assumptions made by and data currently available to management, appear in a number of places throughout this release and include statements regarding, among other things, our results of operation, financial condition, liquidity, prospects, growth, strategies and the industry in which the Group operates. Our use of the words "expects," "intends," "anticipates," "estimates," "may," "forecast," "objective," "plan" or "target," and other similar expressions are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to a number of risks and uncertainties, including but not limited to general economic conditions, the merchandising, pricing and inventory policies followed by the Group, the reputation of the Group, the level of competition in the jewellery sector, the price and availability of diamonds, gold and other precious metals, seasonality of the Group's business and financial market risk.

For a discussion of these and other risks and uncertainties which could cause actual results to differ materially, see the "Risk and Other Factors" section of the Company's 2006/07 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission on May 4, 2007 and other filings made by the Company with the Commission. Actual results may differ materially from those anticipated in such forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein may not be realised. The Company undertakes no

obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.