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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to today's Signet Group first quarter results conference call. For your information today's conference is being recorded. At this time I would like to turn the call over to your host today, Mr. Terry Burman. Please go ahead, sir.

Terry Burman - *Signet Group plc - Group Chief Executive*

Thank you, and welcome to the conference call on Signet's first quarter results. I'm Terry Burman, Group Chief Executive, and I have with me Walker Boyd, our Group Finance Director and Tim Jackson, Investor Relations Director. Walker will briefly deal with the financial rules and then I will comment on the operations in both the U.S. and the U.K. First I will now ask Tim Jackson to give the Safe Harbor statement.

Tim Jackson - *Signet Group plc - Investor Relations Director*

This call includes certain statements which are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based upon management's beliefs as well as on assumptions made by and data currently available to management and appear in a number of places throughout this call. They include statements regarding among other things our results of operation, financial conditions, liquidity, prospects, growth, strategies and the industry in which we operate.

These forward-looking statements are not guarantees of future performance and are subject to a number of risks and uncertainties which are more fully described in the company's earnings release dated [9th of] June, 2004 and in the risk and other factors section of the company's 2003/04 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission on April 22, 2004 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 realized.

The company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances. Additionally, certain financial information used here in this call are considered to be non-GAAP financial measures. For reconciliation of these to the most directly comparable GAAP financial measures, please refer to the company's earnings release dated 9th of June, 2004, available on the Financial Information Section of the company's Web site at www.signetgroupplc.com.

Terry Burman - *Signet Group plc - Group Chief Executive*

Thank you. Walker will now review the numbers.

Walker Boyd - *Signet Group plc - Group Finance Director*

We made very good progress in the first quarter with the underlying improvement in profit more than offsetting significant adverse movement in the average exchange rate from $1.59 to $1.84. Profit before tax at 28.1 million showed a 33.2% increase at constant exchange rates and 16.6% on a reported basis.

Group like-for-like sales increased by 8.7% and total sales by 11.6% at constant exchange rates. On the reported basis sales increased by .5% to 344.6 million.

Gross margin for the group decreased slightly compared to last year with the improvement in the U.K. partly offsetting the anticipated easing in the U.S.

Operating profit was 30.2 million, a 27.4% improvement at constant exchange rates and 11% on a reported basis. The operating margin rose 8.8%, a 90 basis point increase.

Interest cost reduced by 1 million to 2.1 million pounds primarily reflecting lower level of debt and a benefit from exchange translation. The tax rate was 34.5%, down 1% on last year and in line with the anticipated full-year rate.

Earnings per share were up 22.2% to 1.1P, equivalent to 58 cents per ADR on a fully diluted basis.

As we note in the statement some administrative functions in the U.K. business are being reorganized for greater efficiency with several departments rationalizing consolidated in the Birmingham facility. It's anticipated that this will result in a nonrecurring charge in the second quarter of approximately 1.75 million pounds and in future year cost savings of some 600,000 pounds per annum.

Turning to the balance sheet.

Net debt at the end of the quarter was 6 to 8 million down 70 million from the level 12 months ago, primarily reflecting the improved year-end position and the movement in quarter-end exchange rate to $1.77 from $1.60.

Working capital continued to be tightly controlled in the quarter with a net inflow of 10 million pounds. Capital expenditure in the quarter increased by just over a third to 13 million and the group remains on track for the expected full year spend of 80 million.

There was a cash outflow of 5 million pounds in the purchase of owned shares by the employee share ownership trust to satisfy the future exercise of options. For the year as a whole we continue to expect a broadly cash flow neutral.

And now I'll hand you back to Terry who will talk about developments in the business.

Terry Burman - *Signet Group plc - Group Chief Executive*

Taking the U.S. first, total sales increased by 14.4% at constant exchange rates. On a like-for-like basis sales rose 9.5% against 1.1% last year.

We again outperformed the sector on a like-for-like basis and increased market share. There was a particularly good performance over the Valentine's Day period.

Subsequent trading in the quarter was also strong and reflected the consistent execution of our growth strategy and benefited from soft sales comparatives last year. In the mall stores diamonds again performed well, in particular three-stone jewelry and the expanded Leo range.

The trend to white gold remains a strong feature. As a result of successful tests the right-hand ring category is being expanded.

Initiatives in the gold category developed in conjunction with the World Gold Council are producing good results in both Jared and in the mall stores. In Jared the increased local television advertising and growth in the luxury watch category helped drive foot-fall.

Loose diamonds performed particularly strongly as did the enhanced Leo collection. The Leo Artisan range is being tested, offering a higher quality diamond and an improved version of the Leo cut. For Christmas 2004 it is anticipated that television advertising will support over 90% of Jared's sales.

U.S. operating profit was 28.7 million pounds, up 26% on a constant currency basis, and 10% ahead on a reported basis. The operating margin was ahead of last year by 110 basis points at 11.6%, reflecting the operational gearing from the excellent like-for-like sales growth.

As anticipated, the gross margin percentage eased during the quarter as a result of the increased cost of gold as well as the expected continuing adverse mix effect.

Due to higher gold and diamond costs we increased our retail prices at the end of February as did many of our competitors in the first part of the year. The increase has not had an adverse, has not had a noticeable impact on sales and has improved the gross margin trend.

Overall average selling price saw a 10% increase reflecting the strong performance by the diamond category, the price adjustment and the continuing shift in mix from the mall stores to Jared.

In the quarter, overall marketing spend as a percentage of sales was similar to last year. We benefited from more TV impressions for both Kay and for Jared and believe that this was an important driver to the performance over Valentine's Day.

The bad debt charge for the three months was slightly lower than the comparable period last year. We continue to invest in systems, people, and training to maintain our performance in this area.

The world-class store systems initiatives this year focusing on layaway systems and repair procedures as well as e-learning for store staff training. This latter initiative will allow us to take paper-based systems and bring them to life using video, audio and interactive questions and answers while improving the monitoring of the progress of each sales associate.

The quality of our store portfolio is being further improved with this year's store refurbishment and relocation program expected to cover approximately 90 stores.

We opened 11 new mall stores in the first quarter with up to a further 34 planned by the end of the fourth quarter. One Jared store opened in the period, and we remain on course to open about 15 in the current year against 12 in 2003.

The extension of the Kay off-mall trial is progressing with 10 more stores planned to open this year. This will give us a larger base of stores from which to draw some early conclusions and guide how we take this initiative forward in 2005.

In summary we've maintained our narrow and deep focus which helped us strive to be the industry leader in all aspects of our business. We test initiatives thoroughly before we roll them out, thereby increasing the likelihood of their succeeding.

All areas of the business have a philosophy of continuous improvement and concentrate on excellence in execution. To achieve this we invest in our people and training this year is again planned to be at a record level. All of these efforts are designed to enable us to continue to execute our growth strategy.

And now turning to the U.K.

Like-for-like sales were up by 6.7%. The lower total sales increase of 5% to 97.2 million pounds reflects the significantly higher level of store refurbishments undertaken in the first quarter this year. The performance was underpinned by further excellent results in the diamond category.

Operating profit rose by 600,000 pounds to 3 million pounds, and an operating margin of 3.1% was achieved.

Gross margin improved over the prior year first quarter with higher gold prices more than offset by the strength of sterling against the dollar. Both H. Samuel and Ernest Jones benefited from the strategy of driving sales by increasing diamond participation.

In H. Samuel like-for-like sales were up by 4.2% and in Ernest Jones by 10.2%. This is achieved by enhancing the merchandise selection, investing in our people, better communication with our customers through improved advertising and making the store environment better suited to the sale of fine jewelry.

In each of these areas we have the advantage of being able to draw on our U.S. expertise.

In the diamond category, both the Leo and the Forever Diamond ranges perform well. It is planned to introduce the Forever Diamond range to a further A.D.H. Samuels stores this year bringing the total to 200 by Christmas while the Leo range in Ernest Jones is being broadened.

Increasing staff training and store standards to facilitate the increase in diamond sales remains a major focus and is central to gaining the full benefit from our other initiatives. We are now in the second year of a much more structured and comprehensive program.

This includes a detailed and closely monitored weekly training schedule for all stores as well as centrally produced materials to spread best practice across the U.K. division.

Marketing programs in the first quarter were similar to last year, apart from an additional Ernest Jones direct mail campaign for Valentine's Day. We are developing an improved creative execution for the Christmas television commercials and we anticipate expanding the trial into new regions.

The planned 85-store refurbishment and relocation program is on track, and 22 stores have already been completed in the first quarter. While it is too early to judge the performance of the stores that have been reformatted this year the overall results of the new design continue to be encouraging.

In summary the major initiatives in the U.K. continue to be successfully developed, and there remains a lot more to go for. For example, at the end of this year, the training program will only be at an early stage of equipping all of our people with the necessary skills to take advantage of the market trend towards diamonds. We will still be trialing television advertising, and less than 25% of the store portfolio will have been refitted.

Thank you, and we will now take any questions that you may have.

QUESTIONS AND ANSWERS

Operator

Thank you. Ladies and gentlemen, today's question-and-answer session will be conducted electronically. If you would like to ask a question, please press star one on your telephone keypad. If you are using a phone with a mute function, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, to ask a question please press star one on your touch-tone telephone. If you find that your question has been answered, you may remove yourself by pressing star two. We'll take our first question from Jeff Castle from AIC. Please go ahead.

Jeff Castle - *AIC - Analyst*

Good morning, gentleman. Congratulations on a good quarter.

Terry Burman - *Signet Group plc - Group Chief Executive*

Thank you.

Jeff Castle - *AIC - Analyst*

I have a couple of questions. First of all, just trying to back out what was happening from the point of view of sales, it looks like if there was an increase in price and some new space that maybe the foot count was down a little bit this quarter. Just want to you comment on that.

And then secondly, it looks like there's been some improvement in working capital as I see both stocks and debt is down year-over-year. And I'm wondering if there's any kind of dedicated effort in that regard? And then I have a third question, but perhaps I'll start with those two.

Terry Burman - *Signet Group plc - Group Chief Executive*

Okay. The average selling price is up broadly in line with the like-for-like increase. So, you know, that's the best I can do to answer your comment about foot-fall. In terms of the working capital question --

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Walker Boyd - *Signet Group plc - Group Finance Director*

I think at this time of year, I said in the comment we clearly keep tight control on working capital. The movement this year is a little bit better than last year but I don't see that there are any fundamental changes this time of year and what these movements are primarily due to timing differences. So I think overall I would say we continue with our discipline in terms of merchandising and keeping a tight control on overall margins and working capital.

Jeff Castle - *AIC - Analyst*

Okay. Thanks a lot. And then maybe just follow-up, you talk about being the world's leading specialty jeweler and you're doing a pretty good job. How much do you look at potential in other geographies, I mean, Japan, continental Europe, Canada, Australia? There's a lot of markets where your model might also work. Have you thought about those much lately?

Terry Burman - *Signet Group plc - Group Chief Executive*

We continue to review them, and we are presented opportunities from time to time. The issue is when you go out of your home markets, there's always complications. There's the culture that new geographic region in which you might be doing business. There are usually different purchasing rules. For instance, even between the U.S. and the U.K. there are different rules in terms of gold content and in terms of diamond weights. So there are issues that have to be addressed when you go out of your home market borders.

That leads to us concluded that any opportunity that we might take to go out of those borders has got to be worth the effort. So it's got to be a meaningful opportunity, and there are, we have not seen any opportunities that are meaningful enough to us to go through the distraction and potential disruption of going outside of our home markets. If there were one to present itself, then we certainly are open to doing so. But as of yet we haven't seen those.

Just to frame this for you, for instance, in the diamond industry, about 50% of the world's diamonds are sold in the U.S. and about 20% are sold in Japan. So it doesn't leave a lot of meaningful opportunities in terms of chains of jewelry stores in the rest of the world, and you can see why we are reluctant to go out of our borders.

We're also cautious about doing so because we've got significant growth opportunities, especially in Jared in the U.S., and we can stick within our existing formats, keep it simple, this is what we mean by narrow and deep, staying within our existing formats, and not have the distraction or disruption of embarking on a brand-new format in a different geographic region. So that's our rationale.

Like I said, if something meaningful were to come along that we thought we could be successful, at which we thought we could be successful, we certainly would evaluate it.

Jeff Castle - *AIC - Analyst*

Okay. Thanks a lot, Terry.

Terry Burman - *Signet Group plc - Group Chief Executive*

You're welcome.

Operator

Thank you. We'll now go to Mal Patel with HSBC. Please go ahead.

Mal Patel - *HSBC Investment Bank - Analyst*

Good afternoon, gentlemen. Two questions. Firstly, can you give us some idea of what you expect to happen to gross margins? I wasn't suggesting that you quantify it, but a direction over the next three quarters. And secondly where you think your pricing stance will be again over the rest of the year, especially in the U.S?

Walker Boyd - *Signet Group plc - Group Finance Director*

Mel, I'm sorry what do we think the pricing, and then I lost you.

Mal Patel - *HSBC Investment Bank - Analyst*

As in will you be raising your prices? Again, do you anticipate having to raise them again through the rest of the year?

Terry Burman - *Signet Group plc - Group Chief Executive*

In terms of our gross margin, I'm going to eliminate the U.K. from the question.

Mal Patel - *HSBC Investment Bank - Analyst*

Sure.

Terry Burman - *Signet Group plc - Group Chief Executive*

Because the U.K. currency is compensating for the increase in the value of the U.K. currency versus the dollar is compensating for the increase in gold and diamond prices.

Mal Patel - *HSBC Investment Bank - Analyst*

Yeah.

Tim Jackson - *Signet Group plc - Investor Relations Director*

So it's really just a U.S. issue. The initiatives that we've put in place since the beginning of the year, have been effective and have offset much of the commodity price increases, both gold and diamonds.

They were done anticipating, actually a little higher level of gold price than we currently have, at just under 390, and also anticipating the diamond price increases. So on that front we don't anticipate any further price increases.

However, we did not increase all of our, we did not increase prices across all of our ranges, and we do have one other price increase that we're going to execute at the end of this month on a different range of merchandise than we did earlier in the year. Except for that price increase, we wouldn't expect to raise prices further in the year.

In terms of the gross margin impact of all of this, we would still expect some small negative impact on gross margins versus the prior year for the year as a whole.

Mal Patel - *HSBC Investment Bank - Analyst*

Okay. And can you give us some feel for the relative weighting of the price increases between pure gold and diamond merchandise? Or is the weighting fairly equal?

Terry Burman - *Signet Group plc - Group Chief Executive*

Well, we're 70% diamonds.

Mal Patel - *HSBC Investment Bank - Analyst*

Yes.

Terry Burman - *Signet Group plc - Group Chief Executive*

So obviously it's more heavily weighted towards the total amount of increases are more heavily weighted towards the diamond category.

Mal Patel - *HSBC Investment Bank - Analyst*

Okay. Good. Thank you very much.

Terry Burman - *Signet Group plc - Group Chief Executive*

You're welcome.

Operator

Thank you. As a reminder, ladies and gentlemen, to ask a question, please press star one now. We'll now go to Philip Mitchell from J.P. Morgan. Please go ahead.

Phil Mitchell - *J.P. Morgan - Analyst*

Good afternoon, it's Phil Mitchell at J.P. Morgan. I've got two questions. First of all to do with the U.S. in terms of the operational leverage you managed to get from the sales growth. I just wanted to get a slightly better idea where the margin improvement came from within some of those costs within it, in particular, the marketing spend. Would that have gone down as a percentage of sales over the period?

And secondly, just to do with, I read this Rapaport Report recently but it said something rather surprising that right-hand rings are not quite as popular as they used to be. Could you just give us an idea of what kind of boost that has given to your growth and whether you'd agree with that report that perhaps momentum for that kind of product is fading slightly?

Terry Burman - *Signet Group plc - Group Chief Executive*

In terms of our marketing spend, it was planned to be at the same level as, and I'm talking about gross spend now, it was planned to be at the same level as last year but we exceeded our sales plan, so that drove it down marginally. That drove down our marketing spend as a percentage of total sales marginally, just because we outperformed our sales plan.

In terms of right-hand rings, we have not experienced a fall off in the right-hand rings. We're sorting through the merchandise issues. Not all of the original styles were as big a hit as some of them were, but there's certainly we see opportunity within the category.

De Beers is going to continue to support the category, so they see some growth in the category, and I think it's, we think it's a good initiative that we're going to continue, in which we're going to continue to participate.

Phil Mitchell - *J.P. Morgan - Analyst*

Great. Thanks.

Terry Burman - *Signet Group plc - Group Chief Executive*

Thank you.

Operator

Thank you. Ladies and gentlemen, as a final reminder, if you wish to ask a question, please press star one now on your telephone keypad. Mr. Burman, we have no further questions. I would like to turn the call over back to you.

Terry Burman - *Signet Group plc - Group Chief Executive*

Thanks, operator, and I'd like to thank all of you for participating in this call. Our next scheduled announcement is the, our next scheduled announcement is second quarter sales figures on August 5th. Our interim results are expected to be announced on September 1st when there will be the normal analyst presentation in London and a simultaneous conference call and webcast for all interested parties. Thank you again for participating, and good-bye.

Operator

Thank you. Ladies and gentlemen, this will complete today's conference call. Thank you for your participation and have a nice day.
