

SIGNET JEWELERS LTD
Form 10-K
March 26, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

x Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended January 31, 2015
Commission file number 1-32349

SIGNET JEWELERS LIMITED
(Exact name of Registrant as specified in its charter)

Bermuda
(State or other jurisdiction of incorporation) Not Applicable
(I.R.S. Employer Identification No.)
Clarendon House
2 Church Street
Hamilton HM11
Bermuda
(441) 296 5872
(Address and telephone number including area code of principal executive offices)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Common Shares of \$0.18 each	The New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: None	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes
No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate web site, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files). Yes
No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of regulation S-K is not contained herein, and will not be contained to the best of Registrant's knowledge in definitive proxy or information statements

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incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of voting common shares held by non-affiliates of the Registrant (based upon the closing sales price quoted on the New York Stock Exchange) as of August 1, 2014 was \$8,186,100,543.

Number of common shares outstanding on March 16, 2015: 80,251,059

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant will incorporate by reference information required in response to Part III, Items 10-14, from its definitive proxy statement for its annual meeting of shareholders, to be held on June 12, 2015.

Table of ContentsSIGNET JEWELERS LIMITED
FISCAL 2015 ANNUAL REPORT ON FORM 10-K
TABLE OF CONTENTS

	PAGE
FORWARD-LOOKING STATEMENTS	<u>3</u>
PART I	
ITEM 1. BUSINESS	<u>4</u>
ITEM 1A. RISK FACTORS	<u>23</u>
ITEM 1B. UNRESOLVED STAFF COMMENTS	<u>30</u>
ITEM 2. PROPERTIES	<u>30</u>
ITEM 3. LEGAL PROCEEDINGS	<u>31</u>
ITEM 4. MINE SAFETY DISCLOSURE	<u>31</u>
PART II	
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	<u>32</u>
ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA	<u>36</u>
ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	<u>46</u>
ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	<u>72</u>
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	<u>74</u>
ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	<u>125</u>
ITEM 9A. CONTROLS AND PROCEDURES	<u>125</u>
ITEM 9B. OTHER INFORMATION	<u>126</u>
PART III	
ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	<u>127</u>
ITEM 11. EXECUTIVE COMPENSATION	<u>127</u>
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	<u>127</u>
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	<u>127</u>
ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES	<u>127</u>
PART IV	
ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES	<u>128</u>

Table of Contents

REFERENCES

Unless the context otherwise requires, references to “Signet” or the “Company,” refer to Signet Jewelers Limited (and before September 11, 2008 to Signet Group plc) and its consolidated subsidiaries. References to the “Parent Company” are to Signet Jewelers Limited.

PRESENTATION OF FINANCIAL INFORMATION

All references to “dollars,” “US dollars,” “\$,” “cents” and “c” are to the lawful currency of the United States of America. Signet prepares its financial statements in US dollars. All references to “British pound,” “pounds,” “British pounds,” “£,” “pence” and “p” are to the lawful currency of the United Kingdom. All references to “Canadian dollar” or “C\$” are to the lawful currency of Canada.

Percentages in tables have been rounded and accordingly may not add up to 100%. Certain financial data may have been rounded. As a result of such rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

Throughout this Annual Report on Form 10-K, financial data has been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). However, Signet gives certain additional non-GAAP measures in order to provide increased insight into the underlying or relative performance of the business. An explanation of each non-GAAP measure used can be found in Item 6.

Fiscal year and fourth quarter

Signet’s fiscal year ends on the Saturday nearest to January 31. As used herein, “Fiscal 2017,” “Fiscal 2016,” “Fiscal 2015,” “Fiscal 2014,” “Fiscal 2013,” “Fiscal 2012,” “Fiscal 2011” and “Fiscal 2010” refer to the 52 week periods ending January 28, 2017, January 30, 2016, January 31, 2015, February 1, 2014, the 53 week period ending February 2, 2013, and the 52 week periods ending January 28, 2012, January 29, 2011 and January 30, 2010, respectively. Fourth quarter references the 13 weeks ended January 31, 2015 (“fourth quarter”) and the 13 weeks ended February 1, 2014 (“prior year fourth quarter”).

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains statements which are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, based upon management’s beliefs and expectations as well as on assumptions made by and data currently available to management, appear in a number of places throughout this Annual Report on Form 10-K and include statements regarding, among other things, Signet’s results of operation, financial condition, liquidity, prospects, growth, strategies and the industry in which Signet operates. The use of the words “expects,” “intends,” “anticipates,” “estimates,” “predicts,” “believes,” “should,” “potential,” “risk,” “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, a decline in consumer spending, the merchandising, pricing and inventory policies followed by Signet, the reputation of Signet and its brands, the level of competition in the jewelry sector, the cost and availability of diamonds, gold and other precious metals, regulations relating to customer credit, seasonality of Signet’s business, financial market risks, deterioration in customers’ financial condition, exchange rate fluctuations, changes in Signet’s credit rating, changes in consumer attitudes regarding jewelry, management of social, ethical and environmental risks, security breaches and other disruptions to Signet’s information technology infrastructure and databases, inadequacy in and disruptions to internal controls and systems, changes in assumptions used in making accounting estimates relating to items such as extended service plans and pensions, risks relating to Signet being a Bermuda corporation, the impact of the acquisition of Zale Corporation on relationships, including with employees, suppliers, customers and competitors, the impact of stockholder litigation with respect to the acquisition of Zale Corporation, and our ability to successfully integrate Zale Corporation’s operations and to realize synergies from the transaction.

For a discussion of these risks and other risks and uncertainties which could cause actual results to differ materially from those expressed in any forward looking statement, see Item 1A and elsewhere in this Annual Report on Form 10-K. Signet undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances, except as required by law.

Table of Contents

PART I

ITEM 1. BUSINESS

OVERVIEW

Signet is the largest specialty retail jeweler by sales in the US, Canada and UK. Signet is incorporated in Bermuda and its address and telephone number are shown on the cover of this document. Its corporate website is www.signetjewelers.com, from where documents that the Company is required to file or furnish with the US Securities and Exchange Commission (“SEC”) may be viewed or downloaded free of charge.

On May 29, 2014, the Company acquired 100% of the outstanding shares of Zale Corporation (the “Acquisition”) for \$1,458.0 million, including \$478.2 million to extinguish Zale Corporation’s existing debt. The Acquisition was funded by the Company through existing cash and the issuance of \$1,400.0 million of long-term debt. The Acquisition aligns with the Company’s strategy to diversify its businesses and expand its footprint. See Notes 3 and 19 of Item 8 for additional information related to the Acquisition and the issuance of long-term debt to finance the transaction, respectively.

Prior to the Acquisition, the Company managed its business as two geographical reportable segments, being the United States of America (the “US”) and the United Kingdom (the “UK”) divisions. In connection with the Acquisition, the Company no longer manages its business geographically, but by store brand grouping, a description of which follows:

The Sterling Jewelers division, formerly the US division, operated 1,504 stores in all 50 states at January 31, 2015. Its stores operate nationally in malls and off-mall locations as Kay Jewelers (“Kay”), and regionally under a number of well-established mall-based brands. Destination superstores operate nationwide as Jared The Galleria Of Jewelry (“Jared”). Signet acquired Ultra Stores, Inc. (“Ultra”) on October 29, 2012 (“Ultra Acquisition”). The majority of the Ultra stores acquired were converted to the Kay brand during Fiscal 2014.

The Zale division consists of two reportable segments:

Zale Jewelry, which operated 972 jewelry stores at January 31, 2015, is located primarily in shopping malls throughout the US, Canada and Puerto Rico. Zale Jewelry includes national brands Zales Jewelers, Zales Outlet and Peoples Jewellers, along with regional brands Gordon’s Jewelers and Mappins Jewellers.

Piercing Pagoda, which operated 605 mall-based kiosks at January 31, 2015, is located primarily in shopping malls throughout the US and Puerto Rico.

The UK Jewelry division, formerly the UK division, operated 498 stores at January 31, 2015. Its stores operate in major regional shopping malls and prime ‘High Street’ locations (main shopping thoroughfares with high pedestrian traffic) as “H.Samuel,” “Ernest Jones” and “Leslie Davis.”

Operations not incorporated into the reportable segments above include the Company’s diamond sourcing function. On November 4, 2013, the Company acquired a diamond polishing factory in Gaborone, Botswana, which expanded Signet’s long-term diamond sourcing capabilities, including the ability to cut and polish stones. In addition, the Company has been named a sightholder by multiple international diamond mining companies, established a diamond buying office in India and a design center in New York allowing the Company to secure additional, reliable and consistent supplies of diamonds for our guests. Company activities associated with the diamond sourcing function are managed as a separate operating segment, and are aggregated with unallocated corporate administrative functions for financial reporting purposes. See Note 4 of Item 8 for additional information regarding the Company’s operating segments.

MISSION, STRATEGY, COMPETITIVE STRENGTHS AND OBJECTIVES

Signet’s mission is to help guests “Celebrate Life and Express Love.” Our Vision 2020 strategy is a road map for on-going Signet success which includes five strategic pillars:

• Maximize mid-market

• Best in bridal

• Best in class digital ecosystem

• Expand footprint

• People, purpose and passion

These strategic pillars guide Signet in building profitable market share. Maximizing the mid-market drives our competitive strengths focused on merchandising initiatives, marketing, store growth and productivity. Being the best in bridal is expected to be achieved by continuing to develop differentiated bridal jewelry products, increasing targeted marketing programs, delivering the best guest experience by our sales associates, vertical integration in our supply chain and by offering credit financing. Enhancing our digital ecosystem is expected to simplify and accelerate guests' engagement with our brands and support our physical channels of distribution. Expanding our geographic footprint is expected to enable cross-collaboration among and between our domestic and international teams and further growth and diversification of our real estate portfolio.

Table of Contents

In order to truly accomplish our core mission of helping our guests “Celebrate Life and Express Love”, we must have people with high capability and passion. We will continue our efforts to attract, develop and retain the best and the brightest individuals in the jewelry and watch industry.

The expression of romance and appreciation through bridal jewelry and gift giving are very important to our guests, as is self-reward. Guests associate Signet's brands with high quality jewelry and an outstanding guest experience. As a result, the training of sales associates to understand the guests' requirements, communicate the value of the merchandise selected and ensure guest needs are met remains a high priority. Signet increases the attraction of its store brands to guests through the use of branded differentiated and exclusive merchandise, while offering a compelling value proposition in more basic ranges. Signet accomplishes this by utilizing its supply chain and merchandising expertise, scale and balance sheet strength. The Company intends to further develop national television advertising, digital media and customer relationship marketing, which it believes are the most effective and cost efficient forms of marketing available to grow its market share. Management follows the operating principles of excellence in execution; testing before investing; continuous improvement; and disciplined investment, in all aspects of the business.

Competition

Jewelry retailing is highly fragmented and competitive. We compete against other specialty jewelers as well as other retailers that sell jewelry, including department stores, mass merchandisers, discount stores, apparel and accessory fashion stores, brand retailers, shopping clubs, home shopping television channels, direct home sellers and online retailers and auction sites. The jewelry category competes for customers' share-of-wallet with other consumer sectors such as electronics, clothing and furniture, as well as travel and restaurants. This competition for consumers' discretionary spending is particularly relevant to gift giving.

Signet's competitive strengths include: strong store brands, outstanding guest experience, branded differentiated and exclusive merchandise, sector leading advertising, diversified real estate portfolio, supply chain leadership, customer finance programs, and financial strength and flexibility.

Operational Strategy

In setting financial objectives for Fiscal 2016, consideration was given to several factors including the Zale integration, Signet's Vision 2020 and the economic environments in which the Company does business. The economies of the US, Canada and UK have improved slightly over the past year due to relatively low unemployment, inflation, interest rates and energy prices, offset by higher food and health care costs and by higher consumer savings. Consumer confidence has been on the rise in the US, Canada and UK. Signet will execute its strategic priorities and continue to make strategic investments for the future. The cost of diamonds, Signet's most significant input cost, is currently expected to increase at low-to-mid single digit rates. Consumer credit is important for Signet. Signet takes a hybrid approach to credit by assuming the risk-and-reward of owning in-house accounts receivable for its Sterling Jewelers division while using third party financing programs for its other divisions. Financing will continue to support sales growth and we expect the receivables portfolio to grow and perform strongly. Signet intends to improve results through realization of synergies associated with the Zale acquisition and other initiatives around merchandising, real estate optimization, channel expansion and cost control.

Signet's goal in Fiscal 2016 is to deliver strong results building on our recent performance, while making strategic investments necessary for future growth. Financial objectives for the business in Fiscal 2016 are to position the Company for long-term growth by:

- Advancing our integration activities of Zale, including continued realization of cost and operating synergies. Signet anticipates realizing \$150 million to \$175 million in cumulative 3-year synergies through January 2018. At least 20% of that goal is expected to be realized in Fiscal 2016.

- Gaining profitable market share through brand differentiation and market segmentation, product cost control and asset management.

- Securing additional, reliable and consistent supplies of diamonds for our guests while achieving efficiencies in the supply chain through our diamond polishing factory and our position as a DeBeers and Rio Tinto sightholder.

- Developing multi-channel marketing programs and supporting new initiatives, while optimizing the selling, general and administrative expense to sales ratio.

-

Investing \$275 to \$325 million of capital in new stores, store remodels and enhancing information technology infrastructure to drive future growth.

Signet has the opportunity to take advantage of its competitive position as one of the world's largest and most profitable jewelry retailers. Signet's ability to deliver sales growth allows the business to strengthen relationships with suppliers, facilitate the ability to develop further branded differentiated and exclusive merchandise, improve the efficiency of its supply chain, support marketing investments and improve operating margins. Signet's financial flexibility and access to capital markets allow it to take advantage of investment opportunities, including space growth and strategic developments that meet investment criteria.

Capital Strategy

The Company expects to maintain a strong balance sheet that provides the flexibility to execute its strategic priorities, invest in its business, and return excess cash to shareholders while ensuring adequate liquidity. Signet is committed to maintaining its investment grade rating because long-term, it intends to pursue value-enhancing strategic growth initiatives. Among the key tenets of Signet's capital strategy:

Table of Contents

Achieve adjusted debt¹/ adjusted EBITDAR¹ ("adjusted leverage ratio") of 3.5x or below. At year-end, adjusted leverage ratio was 4.0x which implies no additional debt financing in Fiscal 2016, but should allow for utilizing available sources of debt in Fiscal 2017 and beyond.

Distribute 70% to 80% of annual free cash flow¹ in the form of stock repurchases or dividends barring any other strategic uses of capital.

Consistently increase the dividend annually barring any other strategic uses of capital.

Repurchase \$100 million to \$150 million of Signet stock by the end of Fiscal 2016. The Company has a remaining authorization of \$265.6 million. As the current program runs out, Signet plans to initiate a new program in-line with leverage and free cash flow targets.

Evaluate utilizing additional capacity under Signet's asset backed securitization ("ABS") facility beginning in Fiscal 2017. This evaluation will be done in conjunction with Signet's strategic growth initiatives and adjusted leverage ratio target of 3.5x or below.

1. Adjusted debt, adjusted EBITDAR, and free cash flow are non-GAAP measures. Signet believes they are useful measures to provide insight into how the Company intends to use capital. See Item 6 for reconciliation.

BACKGROUND

Operating segments

The business is managed as four reportable segments: the Sterling Jewelers division (65.6% of sales and 108.3% of operating income), the UK Jewelry division (13.0% of sales and 9.0% of operating income), and the Zale division, which is comprised of the Zale Jewelry segment (18.6% of sales and (0.3)% of operating income) and the Piercing Pagoda segment (2.6% of sales and (1.1)% of operating income). All divisions are managed by executive committees, which report to Signet's Chief Executive Officer, who reports to the Board of Directors of Signet (the "Board"). Each divisional executive committee is responsible for operating decisions within parameters established by the Board. Additionally, in the fourth quarter of Fiscal 2014, subsequent to the November 4, 2013, acquisition of a diamond polishing factory in Gaborone, Botswana, management established a separate reportable segment ("Other") (0.2% of sales and (15.9)% of operating income), which consists of all non-reportable segments including subsidiaries involved in the purchasing and conversion of rough diamonds to polished stones and corporate administrative functions.

Detailed financial information about Signet's segment information is found in Note 4 of Item 8.

Trademarks and trade names

Signet is not dependent on any material patents or licenses in any of its divisions. Signet has several well-established trademarks and trade names which are significant in maintaining its reputation and competitive position in the jewelry retailing industry. Some of these registered trademarks and trade names include the following:

Sterling Jewelers division: Kay Jewelers[®]; Kay Jewelers Outlet[®]; Jared The Galleria Of Jewelry[®]; Jared Vault[™]; Jared Jewelry Boutique[™]; Jared Vivid[®]; JB Robinson[®] Jewelers; Marks & Morgan Jewelers[®]; Every kiss begins with Kay[®]; He went to Jared[®]; Celebrate Life. Express Love.[®]; the Leo[®] Diamond; Hearts Desire[®]; Artistry Diamonds[®]; Charmed Memories[®]; Diamonds in Rhythm[®]; and Open Hearts by Jane Seymour[®].

Zale division: Zales[®]; Zales Jewelers[™]; Zales the Diamond Store[®]; Zales the Online Diamond Store[™]; Zales Outlet[®]; Gordon's Jewelers[®]; Peoples Jewellers[®]; Peoples the Diamond Store[®]; Peoples Outlet the Diamond Store[®]; Mappins[®]; Piercing Pagoda[®]; Arctic Brilliance Canadian Diamonds[™]; Candy Colored Diamonds and Gemstones[®]; Celebration Diamond[®]; The Celebration Diamond Collection[®]; and Unstoppable Love[™].

UK Jewelry division: H.Samuel; Ernest Jones; Ernest Jones Outlet Collection; Leslie Davis; and Forever Diamonds.

Store locations

Signet operates retail jewelry stores in a variety of real estate formats including mall-based, free-standing, strip center and outlet store locations. As of January 31, 2015, Signet operated 3,579 stores and kiosks across 4.8 million square feet of retail space. This represented an increase of 82.2% and 48.1% in locations and retail space, respectively, due primarily to the Acquisition. Excluding Zale, locations and retail space increased by 1.9% and 4.4%, respectively. During Fiscal 2015, Signet opened 95 stores, acquired 1,619 stores in the Acquisition and closed 99 stores. Store locations by country and territory as of January 31, 2015, are as follows:

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Table of Contents

	Sterling Jewelers division				Zale division				UK Jewelry division			Signet Total stores		
	Kay	Jared	Regional brands	Total	Zales	Peoples	Regional brands	Total Zale Jewelry	Piercing Pagoda	Total	H.Samuel		Ernest Jones	Total
US	1,094	253	157	1,504	706	—	67	773	591	1,364	—	—	—	2,868
Canada	—	—	—	—	—	144	43	187	—	187	—	—	—	187
Puerto Rico	—	—	—	—	10	—	2	12	14	26	—	—	—	26
United Kingdom	—	—	—	—	—	—	—	—	—	—	280	189	469	469
Republic of Ireland	—	—	—	—	—	—	—	—	—	—	20	6	26	26
Channel Islands	—	—	—	—	—	—	—	—	—	—	2	1	3	3
Total	1,094	253	157	1,504	716	144	112	972	605	1,577	302	196	498	3,579

Store locations by US state, Canadian province and Puerto Rico, as of January 31, 2015, are as follows:

	Sterling Jewelers division				Zale division				UK Jewelry division			Signet Total Stores	
	Kay	Jared	Regional brands	Total	Zales	Peoples	Regional brands	Total Zale Jewelry	Piercing Pagoda	Total	H.Samuel		Ernest Jones	Total
Alabama			23	1	4	28	12	—	—	12	2	14	42
Alaska			3	—	1	4	2	—	—	2	—	2	6
Arizona			16	9	1	26	14	—	1	15	11	26	52
Arkansas			7	1	—	8	9	—	4	13	—	13	21
California			80	17	3	100	61	—	—	61	35	96	196
Colorado			15	6	3	24	16	—	—	16	5	21	45
Connecticut			12	2	3	17	9	—	—	9	14	23	40
Delaware			4	1	—	5	4	—	2	6	6	12	17
Florida			79	22	10	111	56	—	7	63	70	133	244
Georgia			46	11	5	62	18	—	—	18	8	26	88
Hawaii			6	—	—	6	7	—	—	7	—	7	13
Idaho			4	1	—	5	1	—	—	1	—	1	6
Illinois			43	12	6	61	25	—	—	25	20	45	106
Indiana			26	6	7	39	12	—	—	12	11	23	62
Iowa			15	1	1	17	6	—	—	6	3	9	26
Kansas			8	2	2	12	7	—	—	7	4	11	23
Kentucky			18	3	6	27	7	—	—	7	7	14	41
Louisiana			16	3	1	20	15	—	8	23	—	23	43
Maine			5	1	1	7	1	—	—	1	2	3	10
Maryland			30	9	7	46	14	—	—	14	23	37	83
Massachusetts			23	4	5	32	10	—	—	10	28	38	70
Michigan			37	7	10	54	20	—	—	20	10	30	84
Minnesota			17	5	3	25	9	—	—	9	8	17	42
Mississippi			11	—	—	11	8	—	—	8	—	8	19
Missouri			17	5	—	22	11	—	1	12	6	18	40
Montana			3	—	—	3	1	—	—	1	—	1	4
Nebraska			7	—	—	7	3	—	—	3	1	4	11
Nevada			11	3	1	15	6	—	2	8	5	13	28
New Hampshire			11	4	2	17	6	—	—	6	8	14	31

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New Jersey	28	6	—	34	18	—	—	18	30	48	82
New Mexico	5	1	—	6	9	—	4	13	4	17	23

7

Table of Contents

New York	59	7	5	71	38	—	1	39	63	102	173
North Carolina	41	11	1	53	15	—	1	16	19	35	88
North Dakota	4	—	—	4	4	—	—	4	—	4	8
Ohio	56	17	28	101	13	—	—	13	25	38	139
Oklahoma	8	2	—	10	10	—	5	15	—	15	25
Oregon	15	3	1	19	5	—	—	5	4	9	28
Pennsylvania	61	10	8	79	35	—	1	36	64	100	179
Rhode Island	3	—	—	3	1	—	—	1	3	4	7
South Carolina	24	4	2	30	9	—	—	9	5	14	44
South Dakota	2	—	—	2	3	—	—	3	1	4	6
Tennessee	25	8	4	37	16	—	1	17	2	19	56
Texas	69	29	—	98	98	—	28	126	21	147	245
Utah	10	3	—	13	4	—	—	4	3	7	20
Vermont	2	—	—	2	2	—	—	2	1	3	5
Virginia	39	9	8	56	26	—	—	26	25	51	107
Washington	19	3	8	30	14	—	—	14	10	24	54
West Virginia	9	—	6	15	6	—	1	7	11	18	33
Wisconsin	20	4	4	28	7	—	—	7	13	20	48
Wyoming	2	—	—	2	3	—	—	3	—	3	5
US	1,094	253	157	1,504	706	—	67	773	591	1,364	2,868
Alberta	—	—	—	—	—	25	8	33	—	33	33
British Columbia	—	—	—	—	—	21	4	25	—	25	25
Manitoba	—	—	—	—	—	5	1	6	—	6	6
New Brunswick	—	—	—	—	—	4	—	4	—	4	4
Newfoundland	—	—	—	—	—	2	—	2	—	2	2
Nova Scotia	—	—	—	—	—	8	2	10	—	10	10
Ontario	—	—	—	—	—	68	27	95	—	95	95
Prince Edward Island	—	—	—	—	—	2	1	3	—	3	3
Saskatchewan	—	—	—	—	—	9	—	9	—	9	9
Canada	—	—	—	—	—	144	43	187	—	187	187
Puerto Rico	—	—	—	—	10	—	2	12	14	26	26
Total North America	1,094	253	157	1,504	716	144	112	972	605	1,577	3,081

Guest experience

The guest experience is an essential element in the success of our business and Signet strives to continually improve the quality of the guest experience. Therefore the ability to recruit, develop and retain qualified sales associates is an important element in enhancing guest satisfaction. Accordingly, each division has in place comprehensive recruitment, training and incentive programs; uses employee and guest satisfaction metrics to monitor and improve performance; and engages in an annual flagship training conference ahead of the holiday season.

Digital ecosystem

As a specialty jeweler, Signet's business differs from many other retailers such that a purchase of merchandise from any of Signet's stores is personal, intimate and typically viewed as an important experience. Due to this dynamic, guests often invest time on Signet websites and social media to experience the merchandise assortments prior to visiting brick-and-mortar stores to execute a purchase transaction. At times, particularly related to high value transactions, guests will supplement their on-line experience with an in-store visit prior to finalizing a fashion or gift-giving decision. Distinguishing whether the Company's performance is driven by the initial exposure to the on-line assortment versus the merchandising and experience with in-store professionals is not a primary focus of

management, as electronic efforts are a support channel for all store brands.

8

Table of Contents

Signet's websites provide guests with a source of information on merchandise available, as well as the ability to buy online. Our websites are integrated with each division's stores, so that merchandise ordered online may be picked up at a store or delivered to the guest. Our websites make an important and growing contribution to the guest experience, as well as to each division's marketing programs. In recent years, significant investments and initiatives have been completed to drive growth within our eCommerce selling channel. These investments include:

- Optimization of brand websites for both desktop and mobile devices with improved functionality in product search and navigation;

- Increased merchandise assortment;

- Investments in social media, including Facebook and Twitter, as well as a YouTube channel; and

- Improvements in store broadband to enhance in-store eCommerce sales.

Signet's supplier relationships allow it to display suppliers' inventories on the brand websites for sale to guests without holding the items in its inventory until the products are ordered by guests, which are referred to as "virtual inventory."

Virtual inventory expands the choice of merchandise available to guests both online and in-store.

Raw materials

The jewelry industry generally is affected by fluctuations in the price and supply of diamonds, gold and, to a much lesser extent, other precious and semi-precious metals and stones. Diamonds account for about 45%, and gold about 15%, of Signet's cost of merchandise sold, respectively.

Signet undertakes hedging for a portion of its requirement for gold through the use of net zero-cost collar arrangements, forward contracts and commodity purchasing. It is not possible to hedge against fluctuations in the cost of diamonds. The cost of raw materials is only part of the costs involved in determining the retail selling price of jewelry, with labor costs also being a significant factor.

Diamond sourcing

Signet procures its diamonds mostly as finished jewelry and to a smaller extent as loose cut-and-polished stones and rough stones.

Finished jewelry

Merchandise is purchased as finished product where the items are relatively more complex, have less predictable sales patterns or where it is cost effective to do so. This method of buying inventory provides the opportunity to reserve inventory held by vendors and to make returns or exchanges with suppliers, thereby reducing the risk of over- or under-purchasing. Signet's scale, strong balance sheet and robust procurement systems enable it to purchase merchandise at advantageous prices and on favorable terms.

Loose diamonds

Signet purchases loose polished diamonds in global markets (e.g. India, Israel) from a variety of sources (e.g. polishers, traders). Signet mounts stones in settings purchased from manufacturers using third parties and in-house resources. By using these approaches, the cost of merchandise is reduced and the consistency of quality is maintained enabling Signet to provide better value to guests. Buying loose diamonds helps allow Signet's buyers to gain a detailed understanding of the manufacturing cost structures and, in turn, leverage that knowledge with regard to negotiating better prices for the supply of finished products.

Rough diamonds

Signet continues to take steps to advance its vertical integration, which includes rough diamond sourcing and manufacturing. Signet's objective with this initiative is to secure additional, reliable and consistent supplies of diamonds for guests of all divisions while achieving further efficiencies in the supply chain. In Fiscal 2013, Signet was appointed by Rio Tinto as a Select Diamantaire, which provides the Company with a contracted allocation of rough diamonds provided by Rio Tinto, as well as entering into other supplier agreements. In Fiscal 2014, Signet acquired a diamond polishing factory in Gaborone, Botswana and established a diamond buying office in India. In Fiscal 2015, Signet was appointed a sightholder by DeBeers, which further increased Signet's supply of rough diamonds, and Signet established a jewelry design center in New York. These developments in Signet's long-term diamond sourcing capabilities allow Signet to buy rough diamonds directly from the miners and then have the stones marked, cut and polished in its own polishing facility. Any stones deemed unsuitable for Signet's needs are sold to third parties with the objective of recovering the original cost of the stones. Signet's sourcing initiative in Fiscal 2014

and 2015 was primarily focused on supplying the diamond needs of the Sterling Jewelers division which has since been expanded to include all Signet divisions. In Fiscal 2015, Signet's rough diamond to polish initiative, through its Signet Direct Diamond Sourcing subsidiary, was responsible for approximately 50% of the Sterling Jewelers division's loose diamond purchases.

Merchandising and purchasing

Management believes that merchandise selection, availability and value are critical success factors for its business. The range of merchandise offered and the high level of inventory availability are supported centrally by extensive and continuous research and testing. Best-selling products are identified and replenished rapidly through analysis of sales by stock keeping unit. This approach enables Signet to deliver a focused assortment of merchandise to maximize sales and inventory turn, and minimize the need for discounting. Signet believes it is better able to offer greater value and consistency of merchandise than its competitors, due to its supply chain strengths. In addition, in recent years management has continued

Table of Contents

to develop, refine and execute a strategy to increase the proportion of branded differentiated and exclusive merchandise sold, in response to guest demand.

The scale and information systems available to management and the gradual evolution of jewelry fashion trends allow for the careful testing of new merchandise in a range of representative stores. This enables management to make more informed investment decisions about which merchandise to select, thereby increasing Signet's ability to satisfy guests' requirements while reducing the likelihood of having to discount merchandise.

Merchandise mix

Details of merchandise mix (excluding repairs, warranty and other miscellaneous sales) are shown below:

	Sterling Jewelers division	Zale division	UK Jewelry division	Total Signet		
Fiscal 2015						
Diamonds and diamond jewelry	76	% 61	% 31	% 63	%	
Gold and silver jewelry, including charm bracelets	10	% 26	% 19	% 14	%	
Other jewelry	8	% 9	% 17	% ⁽¹⁾ 11	%	
Watches	6	% 4	% 33	% 12	%	
	100	% 100	% 100	% 100	%	
Fiscal 2014						
Diamonds and diamond jewelry	75	% n/a	30	% 64	%	
Gold and silver jewelry, including charm bracelets	11	% n/a	19	% 15	%	
Other jewelry	8	% n/a	18	% ⁽¹⁾ 8	%	
Watches	6	% n/a	33	% 13	%	
	100	% n/a	100	% 100	%	
Fiscal 2013						
Diamonds and diamond jewelry	74	% n/a	28	% 63	%	
Gold and silver jewelry, including charm bracelets	11	% n/a	20	% 12	%	
Other jewelry	9	% n/a	19	% ⁽¹⁾ 11	%	
Watches	6	% n/a	33	% 14	%	
	100	% n/a	100	% 100	%	

⁽¹⁾ UK Jewelry division's other jewelry sales include gift category sales.

n/a Not applicable as Zale division was acquired on May 29, 2014.

The bridal category, which includes engagement, wedding and anniversary purchases, is predominantly diamond jewelry. The bridal category experiences stable demand, but is still dependent on the economic environment as guests can trade up or down price points depending on their available budget. In Fiscal 2015, bridal growth was driven primarily by the branded bridal portfolio and bridal represented approximately 50% of Signet's total merchandise sales. Customer financing is an important element in enabling Signet's bridal business.

Gift giving is particularly important during the Holiday Season, Valentine's Day and Mother's Day. In Fiscal 2015, Signet had several successful fashion jewelry collections including Le Vian[®], Diamonds in Rhythm[®], Unstoppable Love[®], and Michael Kors (not all collections are sold in every store brand).

A further categorization of merchandise is core merchandise, third party branded as well as branded differentiated and exclusive. Core merchandise includes items and styles, such as solitaire rings and diamond stud earrings, which are uniquely designed, as well as items that are generally available from other jewelry retailers. It also includes styles such as diamond fashion bracelets, rings and necklaces. Third party branded merchandise includes mostly watches, but also includes ranges such as charm bracelets produced by Pandora[®]. Branded differentiated and exclusive merchandise are items that are branded and exclusive to Signet within its marketplaces, or that are not widely available in other jewelry retailers.

Branded differentiated and exclusive ranges

Management believes that the development of branded differentiated and exclusive merchandise raises the profile of Signet's stores, helps to drive sales and provides its well-trained sales associates with a powerful selling proposition.

National television advertisements include elements that drive brand awareness and purchase intent of these ranges. Management believes that Signet's scale and proven record of success in developing branded differentiated and exclusive merchandise attracts offers of such programs from jewelry manufacturers, designers and others ahead of

10

Table of Contents

competing retailers, and enables it to leverage its supply chain strengths. Management plans to develop additional branded differentiated and exclusive ranges as appropriate and to further expand and refine those already launched. Branded differentiated and exclusive merchandise offered in our various store brands includes:

- **Artistry Diamonds®**, genuine diamonds in an ultimate palette of colors;
- **Celebration Diamond® Collection**, diamond jewelry that has been expertly cut to maximize its brilliance and beauty;
- **Charmed Memories®**, a create your own charm bracelet collection;
- **Diamonds in Rhythm®**, diamonds set at precise angle to allow for continuous movement of center diamond and amazing effect;
- **Fared Vivid® Diamonds**, the brilliance of diamonds combined with the vitality of color;
- **Le Vian®** exclusive collections of jewelry, famed for its handcrafted unique designs and colors;
- **Leo® Diamond collection**, the first diamond to be independently and individually certified to be visibly brighter;
- **Lois Hill®**, reaches back through the centuries and across the globe to create her collection of jewelry;
- **Neil Lane Bridal®**, a vintage-inspired bridal collection by the celebrated jewelry designer Neil Lane;
- **Neil Lane Designs®**, hand-crafted diamond rings, earrings and necklaces inspired by Hollywood's glamorous past;
- **Open Hearts by Jane Seymour®**, a collection of jewelry designed by the actress and artist Jane Seymour;
- **Tolkowsky®**, an ideal cut diamond "Invented by Tolkowsky, Perfected by Tolkowsky®";
- **Unstoppable Love™**, features shimmering diamonds in movable settings that sparkle with every turn;
- **Vera Wang LOVE® collection**, bridal jewelry designed by the most recognizable name in the wedding business, Vera Wang.

Merchandise held on consignment

Merchandise held on consignment is used to enhance product selection and test new designs. This minimizes exposure to changes in fashion trends and obsolescence, and provides the flexibility to return non-performing merchandise. Primarily all of Signet's consignment inventory is held in the US.

Suppliers

In Fiscal 2015, the five largest suppliers collectively accounted for approximately 16% of total purchases, with the largest supplier comprising 4%. Signet transacts business with suppliers on a worldwide basis at various stages of the supply chain with third party diamond cutting and jewelry manufacturing being predominantly carried out in Asia.

Marketing and advertising

Customers' confidence in our retail brands, store brand name recognition and advertising of branded differentiated and exclusive ranges are important factors in determining buying decisions in the jewelry industry where the majority of merchandise is unbranded. Therefore, Signet continues to strengthen and promote its store brands and merchandise brands by delivering superior customer service and building brand name recognition. The marketing channels used include television, digital media (desktop, mobile and social), radio, print, catalog, direct mail, telephone marketing, point of sale signage and in-store displays, as well as coupon books and outdoor signage for the Outlet channels. While marketing activities are undertaken throughout the year, the level of activity is concentrated at periods when guests are expected to be most receptive to marketing messages, which is ahead of Christmas Day, Valentine's Day and Mother's Day. A significant majority of the expenditure is spent on national television advertising, which is used to promote the store brands. Within such advertisements, Signet also promotes certain merchandise ranges, in particular its branded differentiated and exclusive merchandise and other branded products. Statistical and technology-based systems are employed to support customer relationship marketing programs that use a proprietary database to build guest loyalty and strengthen the relationship with guests through mail, telephone, eMail and social media communications. The programs target current guests with special savings and merchandise offers during key sales periods. In addition, invitations to special in-store promotional events are extended throughout the year.

Table of Contents

Details of gross advertising spending by division, including as a percentage of divisional sales, are shown below:

	Fiscal 2015			Fiscal 2014			Fiscal 2013		
	Gross advertising spending (in millions)	as a % of divisional sales		Gross advertising spending (in millions)	as a % of divisional sales		Gross advertising spending (in millions)	as a % of divisional sales	
Sterling Jewelers division	\$246.6	6.6	%	\$233.6	6.6	%	\$224.3	6.9	%
Zale division	64.6	5.3	%	n/a	n/a		n/a	n/a	
UK Jewelry division	21.8	2.9	%	20.2	3.0	%	21.5	3.0	%
Signet	\$333.0	5.8	%	\$253.8	6.0	%	\$245.8	6.2	%

n/a Not applicable as Zale division was acquired on May 29, 2014.

Real estate

Management has specific operating and financial criteria that have to be satisfied before investing in new stores or renewing leases on existing stores. Substantially all the stores operated by Signet are leased. In Fiscal 2015, global net store space increased 48.1% due to the Zale acquisition as well as new store growth. Excluding Zale, global net store space increased 4.4%. The greatest opportunity for new stores is in locations outside traditional covered regional malls.

Recent investment in the store portfolio is set out below:

(in millions)	Sterling Jewelers division	Zale division	UK Jewelry division	Total Signet
Fiscal 2015				
New store capital investment	\$52.6	\$4.4	\$2.4	\$59.4
Remodels and other store capital investment	52.6	15.1	11.3	79.0
Total store capital investment	\$105.2	\$19.5	\$13.7	\$138.4
Fiscal 2014				
New store capital investment	\$54.0	n/a	\$1.5	\$55.5
Remodels and other store capital investment	46.3	n/a	10.3	56.6
Total store capital investment	\$100.3	n/a	\$11.8	\$112.1
Fiscal 2013				
New store capital investment	\$29.1	n/a	\$0.6	\$29.7
Remodels and other store capital investment	48.3	n/a	13.2	61.5
Total store capital investment	\$77.4	n/a	\$13.8	\$91.2

n/a Not applicable as Zale division was acquired on May 29, 2014. See Note 3 of Item 8 for additional information.

Seasonality

Signet's sales are seasonal, with the first quarter slightly exceeding 20% of annual sales, the second and third quarters each approximating 20% and the fourth quarter accounting for almost 40% of annual sales, with December being by far the most important month of the year. The "Holiday Season" consists of sales made in November and December. As a result, approximately 45% to 55% of Signet's operating income normally occurs in the fourth quarter, comprised of nearly all of the UK Jewelry and Zale divisions' operating income and about 40% to 45% of the Sterling Jewelers division's operating income.

Employees

In Fiscal 2015, the average number of full-time equivalent persons employed was 28,949. In addition, Signet usually employs a limited number of temporary employees during its fourth quarter. None of Signet's employees in the UK and less than 1% of Signet's employees in the US and Canada are covered by collective bargaining agreements. Signet considers its relationship with its employees to be excellent.

Table of Contents

	Fiscal 2015	Fiscal 2014	Fiscal 2013
Average number of employees: ⁽¹⁾			
Sterling Jewelers	16,147	14,829	14,686 ⁽²⁾
Zale ⁽³⁾	9,241	n/a	n/a
UK Jewelry	3,292	3,104	3,156
Other ⁽⁴⁾	269	246	35
Total	28,949	18,179	17,877

(1) Full-time equivalents ("FTEs").

(2) Average number of employees includes 830 FTEs employed by Ultra.

(3) Includes 1,217 FTEs employed in Canada.

(4) Includes corporate employees and employees employed at the diamond polishing plant located in Botswana.

n/a Not applicable as Zale division was acquired on May 29, 2014.

Regulation

Signet is required to comply with numerous laws and regulations covering areas such as consumer protection, consumer privacy, data protection, consumer credit, consumer credit insurance, health and safety, waste disposal, supply chain integrity, truth in advertising and employment legislation. Management monitors changes in these laws to endeavor to comply with applicable requirements.

THE MARKET

Sector

Signet's divisions operate in the US, Canada and UK markets. A description follows of the data used by Signet to understand the size and structure of each market:

US

Calendar 2013 estimates are used by Signet to understand the size and structure of the US jewelry market as the provisional estimates for calendar 2014 available at the time of filing have historically been subject to frequent and sometimes large revisions.

Total US jewelry sales, including watches and fashion jewelry, are estimated by the US Bureau of Economic Analysis ("BEA") to have been \$76.9 billion in calendar 2013 in their February 2015 data release. The US jewelry market has grown at a compound annual growth rate of 4.1% over the last 25 years to calendar 2013 with significant variation over shorter term periods.

In calendar 2013, the US jewelry market grew by an estimated 6.3% (source: BEA, February 2015). The specialty jewelry sector is estimated to have grown by 5.6% to \$33.2 billion in calendar 2013 (source: US Census Bureau, February 2015). The specialty sector of the jewelry market share in calendar 2013 was 43.2% as compared to 43.5% in calendar 2012. The Bureau of Labor Statistics estimated that, in calendar 2013, there were 21,932 specialty jewelry stores in the US (2012: 22,080), a reduction of 0.7% compared to the prior year.

Canada

Calendar 2013 estimates are used by Signet to understand the size and structure of the Canadian jewelry market as calendar 2014 estimates are unavailable at the time of the annual report.

Total Canadian jewelry sales, including watches and fashion jewelry, are estimated by Euromonitor International to have been C\$5.8 billion in calendar 2013, an increase of 3.0% compared to calendar 2012. The Canadian jewelry market has grown at a compound annual growth rate of 4.8% over the last 4 years to calendar 2013.

UK

The UK market includes specialty retail jewelers and general retailers who sell jewelry and watches, such as catalog showrooms, department stores, supermarkets, mail order catalogs and internet based retailers. The retail jewelry market is very fragmented and competitive, with a substantial number of independent specialty jewelry retailers. There are approximately 4,000 specialty retail jewelry stores in the UK as of December 2014, a decrease from approximately 4,030 specialty retail jewelry stores in December 2013 (source: IBISWorld).

STERLING JEWELERS DIVISION

US market

Sterling Jewelers' share of sales made by jewelry and watch retailers in the US market was 4.6% in calendar 2013 (calendar 2012: 4.5%), and its share of sales made by specialty jewelry retailers was 10.6% in calendar 2013 (calendar 2012: 10.4%), based on estimates by the US Census Bureau.

Table of Contents

Sterling Jewelers store brand reviews

Store activity by brand

	Fiscal 2015	Fiscal 2014	Fiscal 2013	
Kay	58	63	46	(2)
Jared	17	13	7	
Regional brands	—	35	(1) 110	(3)
Total stores opened or acquired during the year	75	111	163	
Kay	(20)	(22)	(17)	
Jared	—	—	—	
Regional brands	(22)	(61)	(1) (21)	
Total stores closed during the year	(42)	(83)	(38)	
Kay	1	65	—	
Jared	33	—	—	
Regional brands	(34)	(65)	—	
Total logo conversions	—	—	—	
Kay	1,094	1,055	949	
Jared	253	203	190	
Regional brands	157	213	304	(5)
Total stores open at the end of the year	1,504	1,471	1,443	
Kay	\$2.112	\$2.033	\$2.002	
Jared	\$4.794	\$5.299	\$5.201	
Regional brands	\$1.318	\$1.243	\$1.292	(6)
Average sales per store (millions) ⁽⁴⁾	\$2.467	\$2.361	\$2.351	
Kay	1,597	1,489	1,288	
Jared	1,089	983	923	
Regional brands	196	276	411	(7)
Total net selling square feet (thousands)	2,882	2,748	2,622	
Increase in net store space	5 %	5 %	11 %	

(1) Includes the remaining 30 Ultra stores not converted to the Kay brand in Fiscal 2014.

(2) Includes five mall stores that relocated to an off-mall location in Fiscal 2013.

(3) Excludes 33 Ultra licensed jewelry departments.

(4) Based only upon stores operated for the full fiscal year and calculated on a 52 week basis.

(5) Includes 110 Ultra stores, which were previously disclosed separately.

(6) Excludes impact of Ultra stores, which were acquired during Fiscal 2013.

(7) Includes 170 thousand net selling square feet from Ultra stores, which were previously disclosed separately.

Table of Contents

Sales data by brand

Fiscal 2015	Sales (millions)	Change from previous year			
		Total sales	Same store sales		
Kay	\$2,346.2	8.6	% 5.7	%	
Jared	1,188.8	8.9	% 3.8	%	
Regional brands	230.0	(13.4)	)% 0.3	%	
Sterling Jewelers	\$3,765.0	7.0	% 4.8	%	
Kay Jewelers					

Kay accounted for 41% of Signet's sales in Fiscal 2015 (Fiscal 2014: 51%) and operated 1,094 stores in 50 states as of January 31, 2015 (February 1, 2014: 1,055 stores). Since 2004, Kay has been the largest specialty retail jewelry store brand in the US based on sales, and has subsequently increased its leadership position. Kay targets households with an income of between \$35,000 and \$100,000, with a midpoint target of approximately \$70,000.

Details of Kay's performance over the last three years is shown below:

	Fiscal 2015	Fiscal 2014	Fiscal 2013
Sales (millions)	\$2,346.2	\$2,157.8	\$1,953.3
Average sales per store (millions)	\$2.112	\$2.033	\$2.002
Stores at year end	1,094	1,055	949
Total net selling square feet (thousands)	1,597	1,489	1,288

Kay mall stores typically occupy about 1,600 square feet and have approximately 1,300 square feet of selling space, whereas Kay off-mall stores typically occupy about 2,200 square feet and have approximately 1,800 square feet of selling space. Kay operates in regional malls and off-mall stores. Off-mall stores primarily are located in outlet malls and power centers. Management believes off-mall expansion is supported by the willingness of guests to shop for jewelry at a variety of real estate locations and that increased diversification is important for growth as increasing the store count further leverages the strong Kay brand, marketing support and the central overhead.

The following table summarizes the current composition of stores as of January 31, 2015 and net openings (closures) in Fiscal 2015:

	Stores at January 31, 2015	Net openings (closures)		
		Fiscal 2015	Fiscal 2014	Fiscal 2013
Mall	764	2	5	(3)
Off-mall and outlet	330	37	101	32
Total	1,094	39	106	29

Jared The Galleria Of Jewelry

With 253 stores in 39 states as of January 31, 2015 (February 1, 2014: 203 stores), Jared is a leading off-mall destination specialty retail jewelry store chain, based on sales. Jared accounted for 21% of Signet's sales in Fiscal 2015 (Fiscal 2014: 25%). The first Jared store was opened in 1993, and since its roll-out began in 1998, it has grown to become the fourth largest US specialty retail jewelry brand by sales. Based on its competitive strengths, particularly its scale, management believes that Jared has significant opportunity to grow. Potential guests who visit a destination store have a greater intention of making a jewelry purchase. Jared targets households with an income of between \$50,000 and \$150,000, with a midpoint target of approximately \$100,000.

Details of Jared's performance over the last three years is shown below:

Fiscal 2015	Fiscal 2014	Fiscal 2013
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Sales (millions)	\$1,188.8	\$1,064.7	\$1,003.1
Average sales per store (millions) ⁽¹⁾	\$4.794	\$5.299	\$5.201
Stores at year end	253	203	190
Total net selling square feet (thousands)	1,089	983	923

⁽¹⁾ In Fiscal 2015, average sales per store reflect impact of Jared outlet and mall store concepts.

Table of Contents

Jared offers superior guest service and enhanced selection of merchandise. As a result of its larger size, more specialist sales associates are available to assist guests. In addition, every Jared store has an on-site design and service center where most repairs are completed within the same day. Each store also has at least one diamond viewing room, a children's play area and complimentary refreshments.

The typical Jared store has about 4,800 square feet of selling space and approximately 6,000 square feet of total space. Jared locations are normally free-standing sites with high visibility and traffic flow, positioned close to major roads within shopping developments. Jared stores usually operate in retail centers that normally contain strong retail co-tenants, including big box, destination stores and some smaller specialty units.

Jared also operates an outlet-mall concept known as Jared Vault. These stores, converted from a previous outlet store acquisition, are smaller than off-mall Jareds and offer a mix of identical products as Jared as well as different, outlet-specific products at lower prices.

In Fiscal 2015, Signet began to test new Jared store concepts within malls, branded Jared Jewelry Boutiques. These mall stores have a smaller footprint than standard Jared locations, and generally less than 2,000 square feet of selling space.

	Stores at January 31, 2015	Net openings (closures)		
		Fiscal 2015	Fiscal 2014	Fiscal 2013
Mall	8	8	—	—
Off-mall and outlet	245	42	13	7
Total	253	50	13	7

Sterling Jewelers regional brands

The Sterling Jewelers division also operates mall stores under a variety of established regional nameplates. Regional brands in the Sterling Jewelers division accounted for 4% of Signet's sales in Fiscal 2015 (Fiscal 2014: 7%) and as of January 31, 2015, include 157 regional brand stores in 32 states (February 1, 2014: 213 stores in 36 states). The leading brands include JB Robinson Jewelers, Marks & Morgan Jewelers and Belden Jewelers. Also included in the regional nameplates are Goodman Jewelers, LeRoy's Jewelers, Osterman Jewelers, Rogers Jewelers, Shaw's Jewelers and Weisfield Jewelers. All of these regional brand stores are located where there is also a Kay location.

Details of the regional brands' performance over the last three years is shown below:

	Fiscal 2015	Fiscal 2014	Fiscal 2013	
Sales (millions)	\$230.0	\$295.1	\$317.5	(1)
Average sales per store (millions)	\$1.318	\$1.243	\$1.292	(2)
Stores at year end	157	213	304	(3)
Total net selling square feet (thousands)	196	276	411	(4)

(1) Includes \$45.7 million in sales from Ultra stores, which were previously disclosed separately.

(2) Excludes the average sales per store from the Ultra stores which were acquired during 2013.

(3) Includes 110 Ultra stores, which were previously disclosed separately.

(4) Includes 170 thousand net selling square feet from Ultra stores which were previously disclosed separately.

Sterling Jewelers operating review

Other sales

Custom design services represent less than 5% of sales but provide higher than average profitability. The Sterling Jewelers division expanded the custom jewelry initiative by creating a proprietary selling system and expanding in-store capabilities. Design & Service Centers, located in Jared stores, are staffed with skilled artisans who support the custom business generated by other Sterling Jewelers division stores as well as the Jared stores in which they are located. The custom design and repair function has its own field management and training structure.

Repair services represent less than 10% of sales and approximately 30% of transactions and are an important opportunity to build customer loyalty. The Jared Design & Service Centers, open the same hours as the store, also support other Sterling Jewelers division stores' repair business.

The Sterling Jewelers division sells, as separate items, extended service plans including lifetime repair service plans for jewelry and jewelry replacement plans. The lifetime repair service plans cover services such as ring sizing, refinishing and polishing, rhodium plating of white gold, earring repair, chain soldering and the resetting of diamonds and gemstones that arise due to the normal usage of the merchandise. Jewelry replacement plans require the issuance of new replacement merchandise if the original merchandise is determined to be defective or damaged within a defined period in accordance with the plan agreement. Any repair work is performed in-house.

Customer finance

In the US market, offering financing benefits our guests and managing the process in-house is a strength of Signet's Sterling Jewelers division. The Sterling Jewelers division establishes credit policies that take into account the overall impact on the business. In particular, the Sterling Jewelers division's objective is to facilitate the sale of jewelry and to collect the outstanding credit balance as quickly as possible, minimizing

Table of Contents

risk and enabling the guest to make additional jewelry purchases using their credit facility. In contrast, management believes that many financial institutions focus on earning interest by maximizing the outstanding credit balance. The program:

- utilizes proprietary authorization and collection models which consider information on the behavior of the division's guests;
- allows management to establish and implement service standards appropriate for the business;
- provides a database of regular guests and their spending patterns; and
- maximizes cost effectiveness by utilizing in-house capability.

The various customer finance programs assist in establishing and enhancing customer loyalty and complement the marketing strategy by enabling a greater number of purchases, higher units per transaction and greater value sales. In addition to interest-bearing transactions that involve the use of in-house customer finance, a portion of credit sales are made using interest-free financing for one year, subject to certain conditions. In most US states, guests also are offered optional third-party credit insurance.

The customer financing operation is centralized and fully integrated into the management of the Sterling Jewelers division and is not a separate operating division nor does it report separate results. All assets and liabilities relating to customer financing are shown on the balance sheet and there are no associated off-balance sheet arrangements. The Sterling Jewelers division's customer finance facility may only be used for purchases from the Sterling Jewelers division.

Allowances for uncollectible amounts are recorded as a charge to cost of goods sold in the income statement. The allowance is calculated using factors such as delinquency rates and recovery rates. A 100% allowance is made for any amount that is more than 90 days aged on a recency basis and any amount associated with an account the owner of which has filed for bankruptcy, as well as an allowance for those amounts 90 days aged and under based on historical loss information and payment performance. The calculation is reviewed by management to assess whether, based on economic events, additional analyses are required to appropriately estimate losses inherent in the portfolio.

Each individual application for credit is evaluated centrally against set lending criteria. In Fiscal 2015 the Sterling Jewelers division invested in a new decision engine, which preserves requirements while allowing more refined scoring of applicants, allowing for optimum credit extensions. The risks associated with the granting of credit to particular groups of guests with similar characteristics are balanced against the gross merchandise margin earned by the proposed sales to those guests. Management believes that the primary drivers of the net bad debt to total Sterling Jewelers sales ratio are the effectiveness of the proprietary customer credit models used when granting customer credit, the procedures used to collect the outstanding balances, credit sales as a percentage to total Sterling Jewelers sales and the overall macro-economic environment. Cash flows associated with the granting of credit to guests of the individual store are included in the projections used when considering store investment proposals.

Customer financing statistics ⁽¹⁾

	Fiscal 2015	Fiscal 2014	Fiscal 2013	
Total sales (million)	\$3,765.0	\$3,517.6	\$3,273.9	
Credit sales (million)	\$2,277.1	\$2,028.0	\$1,862.9	
Credit sales as % of total Sterling Jewelers sales ⁽²⁾	60.5	% 57.7	% 56.9	%
Net bad debt expense (million) ⁽³⁾	\$160.0	\$138.3	\$122.4	
Net bad debt as a % of total Sterling Jewelers sales	4.2	% 3.9	% 3.7	%
Net bad debt as a % of Sterling Jewelers credit sales	7.0	% 6.8	% 6.6	%
Opening receivables (million)	\$1,453.8	\$1,280.6	\$1,155.5	
Closing receivables (million)	\$1,660.0	\$1,453.8	\$1,280.6	
Number of active credit accounts at year end ⁽⁴⁾	1,352,298	1,256,003	1,173,053	
Average outstanding account balance at year end	\$1,245	\$1,175	\$1,110	
Average monthly collection rate	11.9	% 12.1	% 12.4	%
Ending bad debt allowance as a % of ending account receivables ⁽¹⁾	6.8	% 6.7	% 6.8	%

Credit portfolio impact:

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Net bad debt expense (million) ⁽³⁾	\$(160.0)	\$(138.3)	\$(122.4)
Interest income from in-house customer finance programs (million) ⁽⁵⁾	\$217.9	\$186.4	\$159.7
	\$57.9	\$48.1	\$37.3

(1) See Note 10, Item 8.

(2) Including any deposits taken at the time of sale.

(3) Net bad expense is defined as the charge for the provision for bad debt less recoveries.

(4) The number of active accounts is based on credit cycle end date closest to the fiscal year end date.

(5) See Note 9, Item 8. Primary component of other operating income, net, on the consolidated income statement.

Table of Contents

Customer financing administration

Authorizations and collections are performed centrally within the Sterling Jewelers division. The majority of credit applications are processed and approved automatically after being initiated via in-store terminals or online through the Sterling Jewelers division's websites. The remaining applications are reviewed by the division's credit authorization personnel. All applications are evaluated by proprietary credit scoring models. Collections focus on a quality guest experience using risk-based calling and strategic account segmentation. Investments are geared towards best in class technology, system support and strategy analytics with the objective of maximizing effectiveness.

ZALE DIVISION

The Zale division consists of two reportable segments: Zale Jewelry and Piercing Pagoda. Zale Jewelry operates jewelry stores located primarily in shopping malls throughout the US, Canada and Puerto Rico. Piercing Pagoda operates through mall-based kiosks throughout the US and Puerto Rico. On May 29, 2014, Signet acquired 100% of the outstanding shares of Zale Corporation and Zale Corporation became a wholly-owned consolidated subsidiary of Signet. As such, Fiscal 2015 reflects only the results since the Acquisition.

Table of Contents

Zale store brand reviews

Store activity by brand

	Fiscal 2015
Zales	731
Peoples	146
Regional brands	139
Total Zale Jewelry	1,016
Piercing Pagoda	615
Total stores opened or acquired during the year	1,631
Zales	(15)
Peoples	(2)
Regional brands	(27)
Total Zale Jewelry	(44)
Piercing Pagoda	(10)
Total stores closed during the year	(54)
Zales	716
Peoples	144
Regional brands	112
Total Zale Jewelry	972
Piercing Pagoda	605
Total stores open at the end of the year	1,577
Zales	\$0.942
Peoples	\$1.096
Regional brands	\$0.382
Total Zale Jewelry	\$0.934
Piercing Pagoda	\$0.228
Average sales per store (millions)	\$0.662
Zales	990
Peoples	192
Regional brands	125
Total Zale Jewelry	1,307
Piercing Pagoda	115
Total net selling square feet (thousands)	1,422

Table of Contents

Sales data by brand

Fiscal 2015	Sales (millions)	Same store sales
Zales	\$800.9	1.6%
Peoples	174.5	4.6%
Regional brands	93.3	(2.6)%
Total Zale Jewelry	\$1,068.7	1.7%
Piercing Pagoda	146.9	0.2%
Zale division ⁽¹⁾	\$1,215.6	1.5%

⁽¹⁾ The Zale division same store sales includes merchandise and repair sales and excludes warranty and insurance revenues.

Zale Jewelry

Zale Jewelry is comprised of three core national brands, Zales Jewelers, Zales Outlet and Peoples Jewellers and two regional brands, Gordon's Jewelers and Mappins Jewellers. Each brand specializes in jewelry and watches, with merchandise and marketing emphasis focused on diamond products.

Zales Jewelers, including Zales Outlet

Zales Jewelers operates primarily in shopping malls and offers a broad range of bridal, diamond solitaire and fashion jewelry. Zales Outlet operates in outlet malls and neighborhood power centers and capitalizes on Zales Jewelers' national marketing and brand recognition. Zales Jewelers and Zales Outlet are collectively referred to as "Zales." Zales accounted for 14% of Signet's sales in Fiscal 2015 and operated a total of 716 stores, including 706 stores in the United States and 10 stores in Puerto Rico as of January 31, 2015. Zales is positioned as "The Diamond Store" given its emphasis on diamond jewelry, especially in bridal and fashion. The Zales brand complements its merchandise assortments with promotional strategies to increase sales during traditional gift-giving periods and throughout the year.

Details of Zales' performance since the Acquisition is shown below:

	Fiscal 2015
Sales (millions)	\$800.9
Average sales per store (millions)	\$0.942
Stores at year end	716
Total net selling square feet (thousands)	990

Zales mall stores typically occupy about 1,700 square feet and have approximately 1,300 square feet of selling space, whereas Zales off-mall stores typically occupy about 2,400 square feet and have approximately 1,700 square feet of selling space.

The following table summarizes the current composition of stores as of January 31, 2015 and net openings (closures) since the Acquisition:

Fiscal 2015	Stores at January 31, 2015	Net openings (closures)
Mall	592	(6)
Off-mall and outlet	124	—
Total	716	(6)

Peoples Jewellers

Founded in 1919, Peoples Jewellers ("Peoples") is Canada's largest jewelry retailer, offering jewelry at affordable prices. Peoples accounted for 3% of Signet's sales in Fiscal 2015 and operated 144 stores in Canada as of January 31, 2015. Peoples is positioned as "Canada's #1 Diamond Store" emphasizing its diamond business while also offering a wide selection of gold jewelry, gemstone jewelry and watches.

Table of Contents

Details of Peoples' performance since the Acquisition is shown below:

	Fiscal 2015
Sales (millions)	\$174.5
Average sales per store (millions)	\$1.096
Stores at year end	144
Total net selling square feet (thousands)	192

Peoples stores typically occupy about 1,600 square feet and have approximately 1,300 square feet of selling space.

Zale Jewelry regional brands

The Zale division also operates the regional store brands Gordon's Jewelers ("Gordon's"), in the US, and Mappins Jewellers ("Mappins"), in Canada. Regional brands in the Zale Jewelry segment accounted for 2% of Signet's sales in Fiscal 2015 and operated a total of 112 stores, including 67 stores in the US, 43 stores in Canada and 2 stores in Puerto Rico as of January 31, 2015. Details of regional brands' performance since the Acquisition is shown below:

	Fiscal 2015
Sales (millions)	\$93.3
Average sales per store (millions)	\$0.382
Stores at year end	112
Total net selling square feet (thousands)	125

Piercing Pagoda

Piercing Pagoda operates through mall-based kiosks in the US and Puerto Rico. Piercing Pagoda accounted for 3% of Signet's sales in Fiscal 2015 and operated a total of 605 stores, including 591 stores in the United States and 14 stores in Puerto Rico as of January 31, 2015. Details of Piercing Pagoda's performance since the Acquisition is shown below:

	Fiscal 2015
Sales (millions)	\$146.9
Average sales per store (millions)	\$0.228
Stores at year end	605
Total net selling square feet (thousands)	115

Kiosks are generally located in high traffic areas that are easily accessible and visible within regional shopping malls. At the entry-level price point, Piercing Pagoda offers a selection of gold, silver and diamond jewelry in basic styles at moderate prices.

Zale operating review

Other sales

Repair services, which the Zale division currently utilizes third party vendors for, represent less than 5% of sales and are an important opportunity to build customer loyalty. The Zale division also sells, as separate items, lifetime extended service plans on certain products, which cover ring sizing and breakage on fine jewelry. These plans also include an option to purchase theft protection for a two-year period. Other plans offered to guests of Zale Jewelry include two year watch warranties and credit insurance for private label credit card guests. Zale Jewelry and Piercing Pagoda also offer a one year breakage warranty program.

Customer finance

Management believes offering customer finance programs helps facilitate the sale of merchandise to guests who wish to finance their purchases rather than use cash or other payment sources. Guests are offered revolving and interest free credit plans under our private label credit card programs, in conjunction with other alternative finance vehicles that allow the Zale division to provide guests with a variety of financing options. Approximately 40% of sales in the US were financed by private label customer credit in Fiscal 2015. Canadian private label credit card sales represented approximately 21% of Canadian sales in Fiscal 2015.

Commodities, including foreign exchange exposure

Fine gold and loose diamonds account for about 16% and 43%, respectively, of the merchandise cost of goods sold in the Zale division. The prices of these are determined by international markets and the Canadian dollar to US dollar exchange rate, which impacts the financial results

Table of Contents

of the Canadian subsidiary of the Zale Jewelry segment. In total, about 17% of goods purchased in the Zale division are denominated in Canadian dollars.

UK JEWELRY DIVISION

The UK Jewelry division transacts mainly in British pounds, as sales and the majority of operating expenses are incurred in that currency and its results are then translated into US dollars for external reporting purposes. The following information for the UK Jewelry division is given in British pounds as management believes that this presentation assists in the understanding of the performance of the UK Jewelry division. Movements in the US dollar to British pound exchange rate therefore may have an impact on the results of Signet (as reflected in the table below), particularly in periods of exchange rate volatility. See Item 6 for analysis of results at constant exchange rates; non-GAAP measures.

UK market

Ernest Jones and H.Samuel compete with a large number of independent jewelry retailers, as well as catalog showroom operators, discount jewelry retailers, supermarkets, apparel and accessory fashion stores, online retailers and auction sites.

UK Jewelry store brand reviews**Store activity by brand**

	Fiscal 2015	Fiscal 2014	Fiscal 2013
H. Samuel	—	—	—
Ernest Jones ⁽¹⁾	8	2	1
Total stores opened or acquired during the year	8	2	1
H. Samuel	(2)	(14)	(19)
Ernest Jones ⁽¹⁾	(1)	(6)	(6)
Total stores closed during the year	(3)	(20)	(25)
H. Samuel	302	304	318
Ernest Jones ⁽¹⁾	196	189	193
Total stores open at the end of the year	498	493	511
H. Samuel	£0.760	£0.742	£0.713
Ernest Jones ⁽¹⁾	£1.092	£1.033	£1.003
Average sales per store (millions)	£0.887	£0.853	£0.820
H. Samuel	327	328	344
Ernest Jones ⁽¹⁾	185	175	172
Total net selling square feet (thousands)	512	503	516
Increase (decrease) in net store space	2	% (3)	% (3)

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

Sales data by brand

Fiscal 2015	Sales (millions)	Total sales	Change from previous year			
			Total sales at constant exchange rates (1)(2)	Same store sales		
H.Samuel	£240.3	5.6	% 3.0	% 3.9	%	%
Ernest Jones ⁽³⁾	217.8	11.8	% 8.8	% 7.0	%	%
UK Jewelry	£458.1	8.5	% 5.7	% 5.3	%	%

- (1) Non-GAAP measure, see Item 6.
- (2) The exchange translation impact on total sales of H.Samuel was 2.6% and on Ernest Jones was 3.0%.
- (3) Includes stores selling under the Leslie Davis nameplate.

Table of Contents**H.Samuel**

H.Samuel accounted for 7% of Signet's sales in Fiscal 2015 (Fiscal 2014: 9%), and is the largest specialty retail jewelry store brand in the UK by number of stores. H.Samuel has 150 years of jewelry heritage and its customers typically have an annual household income of between £15,000 and £40,000. The typical store selling space is 1,100 square feet.

H.Samuel continues to focus on larger store formats in regional shopping centers, and the number of H.Samuel stand alone 'High Street' locations has therefore declined as leases expire. Details of H.Samuel's performance over the last year are as follows:

	Fiscal 2015	Fiscal 2014	Fiscal 2013
Sales (millions)	£240.3	£233.1	£243.4
Average sales per store (millions)	£0.760	£0.742	£0.713
Stores at year end	302	304	318
Total net selling square feet (thousands)	327	328	344

Ernest Jones

Ernest Jones accounted for 6% of Signet's sales in Fiscal 2015 (Fiscal 2014: 8%), and is the second largest specialty retail jewelry store brand in the UK by number of stores. It serves the upper middle market and its customers typically have an annual household income of between £30,000 and £65,000. The typical store selling space is 900 square feet. Ernest Jones also continues to focus on larger store formats in regional shopping centers that drive higher traffic as compared to stand alone 'High Street' locations and offers a wider range of jewelry and prestige watch agencies. The number of Ernest Jones stores in 'High Street' locations has therefore declined as leases expire. Details of Ernest Jones' performance over the last year are as follows:

	Fiscal 2015	Fiscal 2014	Fiscal 2013
Sales (millions)	£217.8	£200.3	£202.8
Average sales per store (millions)	£1.092	£1.033	£1.003
Stores at year end	196	189	193
Total net selling square feet (thousands)	185	175	172

UK Jewelry operating review**Customer finance**

In Fiscal 2015, approximately 5% of the division's sales were made through a customer finance program provided through a third party. Signet does not provide this service itself in the UK due to low demand for customer finance.

Commodities, including foreign exchange exposure

Fine gold and loose diamonds account for about 15% and 10%, respectively, of the merchandise cost of goods sold. The prices of these are determined by international markets and the British pound to US dollar exchange rate. The other major category of goods purchased is watches, where the British pound cost is influenced by the Swiss franc exchange rate. In total, about 20% of goods purchased are made in US dollars. The British pound to US dollar exchange rate also has a significant indirect impact on the UK Jewelry division's cost of goods sold for other merchandise.

OTHER

Other consists of all non-reportable operating segments, including activities related to the direct sourcing of rough diamonds, and is aggregated with unallocated corporate administrative functions.

AVAILABLE INFORMATION

Signet files annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other information with the SEC. Prior to February 1, 2010, Signet filed annual reports on Form 20-F and furnished other reports on Form 6-K with the SEC. Such information, and amendments to reports previously filed or furnished, is available free of charge from our corporate website, www.signetjewelers.com, as soon as reasonably practicable after such materials are filed with or furnished to the SEC.

ITEM 1A. RISK FACTORS

Spending on goods that are, or are perceived to be “luxuries,” such as jewelry, is discretionary and is affected by general economic conditions. Therefore, a decline in consumer spending, whether due to adverse changes in the economy, changes in tax policy or other factors that reduce our customers’ demand for our products, may unfavorably impact Signet’s future sales and earnings.

Table of Contents

Jewelry purchases are discretionary and are dependent on consumers' perceptions of general economic conditions, particularly as jewelry is often perceived to be a luxury purchase. Adverse changes in the economy and periods when discretionary spending by consumers may be under pressure could unfavorably impact sales and earnings. We may respond by increasing discounts or initiating marketing promotions to reduce excess inventory, which could have a material adverse effect on our margins and operating results.

The success of Signet's operations depends to a significant extent upon a number of factors relating to discretionary consumer spending. These include economic conditions, and perceptions of such conditions by consumers, consumer confidence, level of customer traffic in shopping malls and other retail centers, employment, the rate of change in employment, the level of consumers' disposable income and income available for discretionary expenditure, the savings ratio, business conditions, interest rates, consumer debt and asset values, availability of credit and levels of taxation for the economy as a whole and in regional and local markets where we operate. Signet's success also depends upon its reputation for integrity in sourcing its merchandise, which, if adversely affected could impact consumer sentiment and willingness to purchase Signet's merchandise.

As 13% of Signet's sales are accounted for by its UK Jewelry division, economic conditions in the eurozone have a significant impact on the UK economy even though the UK is not a member of the eurozone. Therefore, developments in the eurozone could adversely impact trading in the UK Jewelry division. In addition, developments in the eurozone could also adversely impact the US economy.

More than half of sales in the Sterling Jewelers division are made utilizing customer finance provided by Signet. Therefore any deterioration in the consumers' financial position or changes to the regulatory requirements regarding the granting of credit to customers could adversely impact sales, earnings and the collectability of accounts receivable. More than half of Signet's sales in the US and Canada utilize its in-house customer financing programs or third party provided customer financing programs and about a further 40% of purchases are made using third party bank cards. Any significant deterioration in general economic conditions or increase in consumer debt levels may inhibit consumers' use of credit and decrease the consumers' ability to satisfy Signet's requirement for access to customer finance and could in turn have an adverse effect on the Sterling Jewelers division's sales. Furthermore, any downturn in general or local economic conditions, in particular an increase in unemployment in the markets in which the Sterling Jewelers division operates, may adversely affect its collection of outstanding accounts receivable, its net bad debt charge and hence earnings.

Additionally, Signet's ability to extend credit to customers and the terms on which it is achieved depends on many factors, including compliance with applicable laws and regulations in the US and Canada, any of which may change from time to time, and such changes in law relating to the provision of credit and associated services could adversely affect sales and income. In addition, other restrictions arising from applicable law could cause limitations in credit terms currently offered or a reduction in the level of credit granted by the Company, or by third parties, and this could adversely impact sales, income or cash flow, as could any reduction in the level of credit granted by the Sterling Jewelers division, or by third parties, as a result of the restrictions placed on fees and interest charged.

The US Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law in July 2010. Among other things, the US Dodd-Frank Act creates a Bureau of Consumer Financial Protection with broad rule-making and supervisory authority for a wide range of consumer financial services, including Signet's customer finance programs. The Bureau's authority became effective in July 2011. Any new regulatory initiatives by the Bureau could impose additional costs and/or restrictions on credit practices on the Sterling Jewelers division, which could adversely affect its ability to conduct its business.

Signet's share price may be volatile.

Signet's share price may fluctuate substantially as a result of variations in the actual or anticipated results and financial conditions of Signet and other companies in the retail industry and the stock market's view of the acquisition of Zale Corporation. In addition, the stock market has experienced price and volume fluctuations that have affected the market price of many retail and other shares in a manner unrelated, or disproportionate, to the operating performance of these companies.

The concentration of a significant proportion of sales and an even larger share of profits in the fourth quarter means results are dependent on performance during that period.

Signet's business is highly seasonal, with a significant proportion of its sales and operating profit generated during its fourth quarter, which includes the Holiday Season. Management expects to continue to experience a seasonal fluctuation in its sales and earnings. Therefore, there is limited ability to compensate for shortfalls in fourth quarter sales or earnings by changes in its operations and strategies in other quarters, or to recover from any extensive disruption, for example, due to sudden adverse changes in consumer confidence, inclement weather conditions having an impact on a significant number of stores in the last few days immediately before Christmas Day or disruption to warehousing and store replenishment systems. A significant shortfall in results for the fourth quarter of any fiscal year would therefore be expected to have a material adverse effect on the annual results of operations. Disruption at lesser peaks in sales at Valentine's Day and Mother's Day would be expected to impact the results to a lesser extent.

Table of Contents

Deterioration in our capital structure or financial performance could result in constraints on capital or financial covenant breaches. In addition, a portion of the Company's debt is variable rate and volatility in benchmark interest rates could adversely impact the Company's financial results.

While Signet has a strong balance sheet with adequate liquidity to meet its operating requirements, the credit ratings agencies periodically review our capital structure and the quality and stability of our earnings. A deterioration in Signet's capital structure or the quality and stability of earnings could result in a downgrade of Signet's credit rating. Any negative ratings actions could also constrain the capital available to the Company, could limit the Company's access to funding for its operations and increase the Company's financing costs. The changes in general credit market conditions also affect Signet's ability to arrange, and the cost of arranging, credit facilities. Additionally, as a result of the Company's exposure to variable interest rate debt, volatility in benchmark interest rates could adversely impact the Company's financial results.

Signet's borrowing agreements include various financial covenants and operating restrictions. A material deterioration in its financial performance could result in a covenant being breached. If Signet were to breach, or believed it was going to breach, a financial covenant it would have to renegotiate its terms with current lenders or find alternative sources of financing if current lenders required cancellation of facilities or early repayment.

Movements in foreign exchange rates could adversely impact the results and balance sheet of Signet.

Signet publishes its consolidated annual financial statements in US dollars. It held approximately 89% of its total assets in entities whose functional currency is the US dollar at January 31, 2015 and generated approximately 83% of its sales and 91% of its operating income in US dollars for the fiscal year then ended. Nearly all the remaining assets, sales and operating income are in UK British pounds and Canadian dollars. Therefore, its results and balance sheet are subject to fluctuations in the exchange rates between the US dollar and both the British pound and Canadian dollar.

Accordingly, any decrease in the weighted average value of the British pound or Canadian dollar against the US dollar would decrease reported sales and operating income.

The monthly average exchange rates are used to prepare the income statement and are calculated each month from the weekly average exchange rates weighted by sales of the UK Jewelry division and the Canadian subsidiaries of the Zale division.

Where British pounds or Canadian dollars are held or used to fund the cash flow requirements of the business, any decrease in the weighted average value of the British pound or Canadian dollar against the US dollar would reduce the amount of cash and cash equivalents and increase the amount of any British pounds or Canadian dollar borrowings. In addition, the prices of certain materials and products bought on the international markets by Signet are denominated in foreign currencies. As a result, Signet and its subsidiaries have exposures to exchange rate fluctuations on its cost of goods sold, as well as volatility of input prices if foreign manufacturers and suppliers are impacted by exchange rate fluctuations.

Fluctuations in the availability and pricing of commodities, particularly polished diamonds and gold, which account for the majority of Signet's merchandise costs, could adversely impact its earnings and cash availability.

The jewelry industry generally is affected by fluctuations in the price and supply of diamonds, gold and, to a lesser extent, other precious and semi-precious metals and stones. In particular, diamonds account for about 45% of Signet's merchandise costs, and gold about 15% in Fiscal 2015.

In Fiscal 2015, polished diamond prices experienced a single digit percentage increase similar to that experienced in Fiscal 2014. Industry forecasts indicate that over the medium and longer term, the demand for diamonds will probably increase faster than the growth in supply, particularly as a result of growing demand in countries such as China and India. Therefore, the cost of diamonds is anticipated to rise over time, although fluctuations in price are likely to continue to occur. The mining, production and inventory policies followed by major producers of rough diamonds can have a significant impact on diamond prices, as can the inventory and buying patterns of jewelry retailers and other parties in the supply chain.

While jewelry manufacturing is the major final demand for gold, management believes that the cost of gold is predominantly impacted by investment transactions which have resulted in significant volatility and overall increases in gold cost over the past several years followed by somewhat of a decline in Fiscal 2015. Signet's cost of merchandise and potentially its earnings may be adversely impacted by investment market considerations that cause the price of

gold to significantly escalate.

The availability of diamonds is significantly influenced by the political situation in diamond producing countries, including the impact of current and potential new sanctions on Russia, and by the Kimberley Process, an inter-governmental agreement for the international trading of rough diamonds. Until acceptable alternative sources of diamonds can be developed, any sustained interruption in the supply of diamonds from significant producing countries, or to the trading in rough and polished diamonds which could occur as a result of disruption to the Kimberley Process, could adversely affect Signet, as well as the retail jewelry market as a whole. In 2012, the Kimberley Process, chaired by the United States, initiated a process to review ways to strengthen and reform the Kimberley Process, including reviewing the definition of a conflict diamond. In January 2013, South Africa became the chair, and the review process was expected to continue; however, no reform efforts were achieved. In 2015, the Kimberley Process is being chaired by Angola. In addition, the current Kimberley Process decision making procedure is dependent on reaching a consensus among member governments, which can result in the protracted resolution of issues, and there is little expectation of significant reform over the long-term. The impact of this review process on the supply of diamonds, and consumers' perception of the diamond supply chain, is unknown. In addition to the Kimberley Process, the supply of diamonds to the US is also impacted by certain governmental trade sanctions imposed on Zimbabwe.

Table of Contents

The possibility of constraints in the supply of diamonds of a size and quality Signet requires to meet its merchandising requirements may result in changes in Signet's supply chain practices, for example its rough sourcing initiative. In addition, Signet may from time to time choose to hold more inventory, to purchase raw materials at an earlier stage in the supply chain or enter into commercial agreements of a nature that it currently does not use. Such actions could require the investment of cash and/or additional management skills. Such actions may not result in the expected returns and other projected benefits anticipated by management.

An inability to increase retail prices to reflect higher commodity costs would result in lower profitability. Historically jewelry retailers have been able, over time, to increase prices to reflect changes in commodity costs. However, in general, particularly sharp increases in commodity costs may result in a time lag before increased commodity costs are fully reflected in retail prices. As Signet uses an average cost inventory methodology, volatility in its commodity costs may also result in a time lag before cost increases are reflected in retail prices. There is no certainty that such price increases will be sustainable, so downward pressure on gross margins and earnings may occur. In addition, any sustained increases in the cost of commodities could result in the need to fund a higher level of inventory or changes in the merchandise available to the customer.

In August 2012, the SEC, pursuant to the Dodd-Frank Act, issued final rules, which require annual disclosure and reporting on the source and use of certain minerals, including gold, from the Democratic Republic of Congo and adjoining countries. The gold supply chain is complex and, while management believes that the rules currently cover less than 1% of annual worldwide gold production (based upon recent estimates), the final rules require Signet and other jewelry retailers and manufacturers that file with the SEC to make specified country of origin inquiries of our suppliers, and otherwise to exercise reasonable due diligence in determining the country of origin and certain other information relating to any of the statutorily designated minerals (gold, tin, tantalum and tungsten), that are used in products sold by Signet in the US and elsewhere. On May 30, 2014, Signet filed with the SEC its Form Specialized Disclosure ("SD") and accompanying Conflict Minerals Report in accordance with the SEC's rules, which together describe our country of origin inquiries and due diligence measures relating to the source and chain of custody of those designated minerals Signet deemed necessary to the functionality or production of our products, the results of those activities and our related determinations with respect to the calendar year ended December 31, 2013.

Compliance with the SEC's conflict minerals disclosure rules require annual disclosure and reporting on the source and use of certain minerals, including gold, from the Democratic Republic of Congo and adjoining countries. There may be reputational risks associated with the potential negative response of our customers and other stakeholders to future disclosures by Signet in the event that, due to the complexity of the global supply chain, Signet is unable to sufficiently verify the origin of the relevant metals. Also, if future responses to verification requests by suppliers of any of the covered minerals used in our products are inadequate or adverse, Signet's ability to obtain merchandise may be impaired and our compliance costs may increase. The final rules also cover tungsten and tin, which are contained in a small proportion of items that are sold by Signet. It is possible that other minerals, such as diamonds, could be subject to similar rules.

Price increases may have an adverse impact on Signet's performance.

If significant price increases are implemented, by any division or across a wide range of merchandise, the impact on earnings will depend on, among other factors, the pricing by competitors of similar products in the same geographic area and the response by the customer to higher prices. Such price increases may result in lower sales and adversely impact earnings.

Signet's competitors are specialty jewelry retailers, as well as other jewelry retailers, including department stores, mass merchandisers, discount stores, apparel and accessory fashion stores, brand retailers, shopping clubs, home shopping television channels, direct home sellers, online retailers and auction sites. In addition, other retail categories, for example, electronics and other forms of expenditure, such as travel, also compete for consumers' discretionary expenditure. This is particularly so during the holiday gift giving season. Therefore, the price of jewelry relative to other products influences the proportion of consumers' expenditure that is spent on jewelry. If the relative price of jewelry increases, Signet's sales and earnings may decline.

The failure to satisfy the accounting requirements for 'hedge accounting', or default or insolvency of a counterparty to a hedging contract, could adversely impact results.

Signet hedges a portion of its purchases of gold for both its Sterling Jewelers and UK Jewelry divisions and hedges the US dollar requirements of its UK Jewelry division. The failure to satisfy the requirements of the appropriate accounting requirements, or a default or insolvency of a counterparty to a contract, could increase the volatility of results and may impact the timing of recognition of gains and losses in the income statement.

The inability of Signet to obtain merchandise that customers wish to purchase, particularly ahead of and during, the fourth quarter would adversely impact sales.

The abrupt loss or disruption of any significant supplier during the three month period (August to October) leading up to the fourth quarter would result in a material adverse effect on Signet's business.

Also, if management misjudges expected customer demand, or fails to identify changes in customer demand and/or its supply chain does not respond in a timely manner, it could adversely impact Signet's results by causing either a shortage of merchandise or an accumulation of excess inventory.

Table of Contents

Signet benefits from close commercial relationships with a number of suppliers. Damage to, or loss of, any of these relationships could have a detrimental effect on results. Management holds regular reviews with major suppliers. Signet's most significant supplier accounts for 6% of merchandise. Government requirements regarding sources of commodities, such as those required by the Dodd-Frank Act, could result in Signet choosing to terminate relationships with suppliers in the future due to a change in a supplier's sourcing practices or Signet's compliance with laws and internal policies.

Luxury and prestige watch manufacturers and distributors normally grant agencies the right to sell their ranges on a store by store basis, and most of the leading brands have been steadily reducing the number of agencies in the US, Canada and the UK over recent years. The watch brands sold by Ernest Jones, and to a lesser extent Jared, help attract customers and build sales in all categories. Therefore an inability to obtain or retain watch agencies for a location could harm the performance of that particular store. In the case of Ernest Jones, the inability to gain additional prestige watch agencies is an important factor in, and may reduce the likelihood of, opening new stores, which could adversely impact sales growth.

The growth in importance of branded merchandise within the jewelry market may adversely impact Signet's sales and earnings if it is unable to obtain supplies of branded merchandise that the customer wishes to purchase. In addition, if Signet loses the distribution rights to an important branded jewelry range, it could adversely impact sales and earnings.

Signet has had success in recent years in the development of branded merchandise that is exclusive to its stores. If Signet is not able to further develop such branded merchandise, or is unable to successfully develop further such initiatives, it may adversely impact sales and earnings.

An inability to recruit, train, motivate and retain suitably qualified sales associates could adversely impact sales and earnings.

Management regards the customer experience as an essential element in the success of its business. Competition for suitable individuals or changes in labor and healthcare laws could require us to incur higher labor costs. Therefore an inability to recruit, train, motivate and retain suitably qualified sales associates could adversely impact sales and earnings.

Loss of confidence by consumers in Signet's brand names, poor execution of marketing programs and reduced marketing expenditure could have a detrimental impact on sales.

Primary factors in determining customer buying decisions in the jewelry sector include customer confidence in the retailer and in the brands it sells, together with the level and quality of customer service. The ability to differentiate Signet's stores and merchandise from competitors by its branding, marketing and advertising programs is an important factor in attracting consumers. If these programs are poorly executed or the level of support for them is reduced, or the customer loses confidence in any of Signet's brands for whatever reason, it could unfavorably impact sales and earnings.

Long-term changes in consumer attitudes to jewelry could be unfavorable and harm jewelry sales.

Consumer attitudes to diamonds, gold and other precious metals and gemstones also influence the level of Signet's sales. Attitudes could be affected by a variety of issues including concern over the source of raw materials; the impact of mining and refining of minerals on the environment, the local community and the political stability of the producing country; labor conditions in the supply chain; and the availability of and consumer attitudes to substitute products such as cubic zirconia, moissanite and laboratory created diamonds. A negative change in consumer attitudes to jewelry could adversely impact sales and earnings.

The retail jewelry industry is highly fragmented and competitive. Aggressive discounting or "going out of business" sales by competitors may adversely impact Signet's performance in the short term.

The retail jewelry industry is competitive. If Signet's competitive position deteriorates, operating results or financial condition could be adversely affected.

Aggressive discounting by competitors, particularly those holding "going out of business" sales, may adversely impact Signet's performance in the short term. This is particularly the case for easily comparable pieces of jewelry, of similar quality, sold through stores that are situated near to those that Signet operates.

Signet faces significant competition from independent and regional specialty jewelry retailers that are able to adjust their competitive stance, for example on pricing, to local market conditions. This can put individual Signet stores at a competitive disadvantage as Signet division's have a national pricing strategy.

The inability to rent stores that satisfy management's operational and financial criteria could harm sales, as could changes in locations where customers shop.

Signet's results are dependent on a number of factors relating to its stores. These include the availability of desirable property, the demographic characteristics of the area around the store, the design, and maintenance of the stores, the availability of attractive locations within the shopping center that also meet the operational and financial criteria of management, the terms of leases and Signet's relationship with major landlords. If Signet is unable to rent stores that satisfy its operational and financial criteria, or if there is a disruption in its relationship with its major landlords, sales could be adversely affected.

Table of Contents

Given the length of property leases that Signet enters into, it is dependent upon the continued popularity of particular retail locations. As Signet tests and develops new types of store locations and designs, there is no certainty as to their success. The majority of long-term space growth opportunities in the US are in new developments and therefore future store space is in part dependent on the investment by real estate developers in new projects. Limited new real estate development taking place would make it challenging to identify and secure suitable new store locations. The UK Jewelry division has a more diverse range of store locations than in the US or Canada, including some exposure to smaller retail centers which do not justify the investment required to refurbish the site to the current store format. Consequently, the UK Jewelry division is gradually closing stores in such locations as leases expire or satisfactory property transactions can be executed; however, the ability to secure such property transactions is not certain. The rate of new store development is dependent on a number of factors including obtaining suitable real estate, the capital resources of Signet, the availability of appropriate staff and management and the level of the financial return on investment required by management.

Signet's success is dependent on the strength and effectiveness of its relationships with its various stakeholders whose behavior may be affected by its management of social, ethical and environmental risks.

Social, ethical and environmental matters influence Signet's reputation, demand for merchandise by consumers, the ability to recruit staff, relations with suppliers and standing in the financial markets. Signet's success is dependent on the strength and effectiveness of its relationships with its various stakeholders: customers, shareholders, employees and suppliers. In recent years, stakeholder expectations have increased and Signet's success and reputation will depend on its ability to meet these higher expectations.

Inadequacies in and disruption to systems could result in lower sales and increased costs or adversely impact the reporting and control procedures.

Signet is dependent on the suitability, reliability and durability of its systems and procedures, including its accounting, information technology, data protection, warehousing and distribution systems. If support ceased for a critical externally supplied software package or system, management would have to implement an alternative software package or system or begin supporting the software internally. Disruption to parts of the business could result in lower sales and increased costs.

Security breaches and other disruptions to Signet's information technology infrastructure and databases could interfere with Signet's operations, and could compromise Signet's and its customers' and suppliers' information, exposing Signet to liability which would cause Signet's business and reputation to suffer.

Signet operates in multiple channels and, in the Sterling Jewelers division, maintains its own customer finance operation. Signet is also increasingly using mobile devices, social media and other online activities to connect with customers, staff and other stakeholders. Therefore, in the ordinary course of business, Signet relies upon information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities, including eCommerce sales, supply chain, merchandise distribution, customer invoicing and collection of payments. Signet uses information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements. Additionally, Signet collects and stores sensitive data, including intellectual property, proprietary business information, the propriety business information of our customers and suppliers, as well as personally identifiable information of Signet's customers and employees, in data centers and on information technology networks. The secure operation of these information technology networks, and the processing and maintenance of this information is critical to Signet's business operations and strategy. Despite security measures and business continuity plans, we may not timely anticipate evolving techniques used to effect security breaches and Signet's and our third-party vendors' information technology networks and infrastructure may be vulnerable to damage, disruptions or shutdowns due to attacks by hackers or breaches due to employee error or malfeasance, or other disruptions during the process of upgrading or replacing computer software or hardware, power outages, computer viruses, telecommunication or utility failures or natural disasters or other catastrophic events. The occurrence of any of these events could compromise Signet's networks and the information stored there could be accessed, manipulated, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability or regulatory

penalties under laws protecting the privacy of personal information, significant breach-notification costs, lost sales and a disruption to operations (including our ability to process consumer transactions and manage inventories), and damage to Signet's reputation, which could adversely affect Signet's business. In addition, it could harm Signet's reputation and ability to execute its business through service and business interruptions, management distraction and/or damage to physical infrastructure, which could adversely impact sales, costs and earnings.

An adverse decision in legal proceedings and/or tax matters could reduce earnings.

In March 2008, private plaintiffs filed a class action lawsuit for an unspecified amount against Sterling Jewelers Inc. ("Sterling"), a subsidiary of Signet, in US District Court for the Southern District of New York, which has been referred to private arbitration. In September 2008, the US Equal Employment Opportunities Commission filed a lawsuit against Sterling in US District Court for the Western District of New York. Sterling denies the allegations from both parties and has been defending these cases vigorously. If, however, it is unsuccessful in either defense, Sterling could be required to pay substantial damages. At this point, no outcome or amount of loss is able to be estimated. See Note 24 in Item 8.

Table of Contents

At any point in time, various tax years are subject to, or are in the process of, audit by various taxing authorities. To the extent that management's estimates of settlements change, or the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax in the period in which such determinations are made.

Failure to comply with labor regulations could harm the business.

Failure by Signet to comply with labor regulations could result in fines and legal actions. In addition, the ability to recruit and retain staff could be harmed.

Failure to comply with changes in law and regulations could adversely affect the business.

Signet's policies and procedures are designed to comply with all applicable laws and regulations. Changing legal and regulatory requirements in the US and other jurisdictions in which Signet operates have increased the complexity of the regulatory environment in which the business operates and the cost of compliance. Failure to comply with the various regulatory requirements may result in damage to Signet's reputation, civil and criminal liability, fines and penalties, and further increase the cost of regulatory compliance. Changes in tax laws or the interpretation of such laws could adversely impact Signet's profitability and cash flows. Further, proposed tax changes that may be enacted in the future could adversely impact Signet's current or future tax structure and effective tax rates.

Investors may face difficulties in enforcing proceedings against Signet Jewelers Limited as it is domiciled in Bermuda.

It is doubtful whether courts in Bermuda would enforce judgments obtained by investors in other jurisdictions, including the US, Canada and the UK, against the Parent Company or its directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against the Parent Company or its directors or officers under the securities laws of other jurisdictions.

Any difficulty executing or integrating an acquisition, a business combination or a major business initiative may result in expected returns and other projected benefits from such an exercise not being realized.

Any difficulty in executing or integrating an acquisition, a business combination or a major business initiative, including our direct diamond sourcing capabilities, may result in expected returns and other projected benefits from such an exercise not being realized. The acquisition of companies with operating margins lower than that of Signet may cause an overall lower operating margin for Signet. A significant transaction could also disrupt the operation of our current activities and divert significant management time and resources. Signet's current borrowing agreements place certain limited constraints on our ability to make an acquisition or enter into a business combination, and future borrowing agreements could place tighter constraints on such actions.

Additional indebtedness relating to the acquisition of Zale Corporation reduces the availability of cash to fund other business initiatives and the expected benefits from that acquisition may not be fully realized.

Signet's additional indebtedness to fund the acquisition of Zale Corporation has significantly increased Signet's outstanding debt. This additional indebtedness requires us to dedicate a portion of our cash flow to servicing this debt, which may impact the availability of cash to fund other business initiatives, including dividends and share repurchases. Significant changes to Signet's financial condition as a result of global economic changes or difficulties in the integration or execution of strategies of the newly acquired business may affect our ability to satisfy the financial covenants included in the terms of the financing arrangements.

Failure to successfully combine Signet's and Zale Corporation's businesses in the expected time frame may adversely affect the future results of the combined company, and there is no assurance that we will be able to fully achieve integration-related efficiencies or that those achieved will offset transaction-related costs.

The success of the transaction will depend, in part, on our ability to successfully combine the Signet and Zale businesses in order to realize the anticipated benefits and synergies from combination. If the combined company is not able to achieve these objectives, or is not able to achieve these objectives on a timely basis, the anticipated benefits of the transaction may not be realized fully. In addition, we have incurred a number of substantial transaction-related costs associated with completing the transaction, combining the operations of the two companies and taking steps to achieve desired synergies. Transaction costs include, but are not limited to, fees paid to legal, financial and accounting advisors, regulatory filing fees and printing costs. Additional unanticipated costs may be incurred in the integration of our and Zale Corporation's businesses. There can be no assurance that the realization of other efficiencies related to the integration of the two businesses, as well as the elimination of certain duplicative costs, will offset the incremental

transaction-related costs over time. Thus, any net benefit may not be achieved in the near term, the long term, or at all. Additionally, these integration difficulties could result in declines in the market value of our common stock. Litigation related to our acquisition of Zale Corporation if unfavorably decided could result in substantial cost to us. In connection with the Zale Corporation acquisition, a consolidated lawsuit on behalf of a purported class of former Zale Corporation stockholders is pending in the Delaware Court of Chancery. The lawsuit names as defendants Signet and the members of the board of directors of Zale Corporation. In addition, several former Zale Corporation stockholders have filed petitions for appraisal in the Delaware Court of Chancery seeking additional merger consideration and statutory interest accrued for the time between May 29, 2014 and the date of judgment or settlement. Additional lawsuits may be filed against Zale Corporation, Signet, Signet's merger subsidiary and Zale Corporation's directors related to the transaction. The defense

Table of Contents

or settlement of, or an unfavorable judgment in, any lawsuit or claim could result in substantial costs and could adversely affect the combined company's business, financial condition or results of operations. At this point, no outcome or range of loss is able to be estimated.

If our goodwill or indefinite-lived intangible assets become impaired, we may be required to record significant charges to earnings.

We have a substantial amount of goodwill and indefinite-lived intangible assets on our balance sheet as a result of the Zale Corporation acquisition. We review goodwill and indefinite-lived intangible assets for impairment annually or whenever events or circumstances indicate impairment may have occurred. Application of the impairment test requires judgment, including the identification of reporting units, assignment of assets, liabilities and goodwill to reporting units, and the determination of fair value of each reporting unit. There is a risk that a significant deterioration in a key estimate or assumption or a less significant deterioration to a combination of assumptions or the sale of a part of a reporting unit could result in an impairment charge in the future, which could have a significant adverse impact on our reported earnings.

For further information on our testing for goodwill impairment, see "Critical Accounting Policies and Estimates" under Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Loss of one or more key executive officers or employees could adversely impact performance, as could the appointment of an inappropriate successor or successors.

Signet's future success will partly depend upon the ability of senior management and other key employees to implement an appropriate business strategy. While Signet has entered into employment contracts with such key personnel, the retention of their services cannot be guaranteed and the loss of such services, or the inability to attract and retain talented personnel, could have a material adverse effect on Signet's ability to conduct its business. In addition, any new executives may wish, subject to Board approval, to change the strategy of Signet. The appointment of new executives may therefore adversely impact performance.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Signet attributes great importance to the location and appearance of its stores. Accordingly, in each of Signet's divisions, which collectively operate in the US, Canada, Puerto Rico and UK, investment decisions on selecting sites and refurbishing stores are made centrally, and strict real estate and investment criteria are applied.

North America property

Signet's Sterling Jewelers, Zale Jewelry and Piercing Pagoda segments operate stores and kiosks in the US, with substantially all of the locations being leased. In addition to a minimum annual rental, the majority of mall stores are also liable to pay rent based on sales above a specified base level. In Fiscal 2015, most of the mall stores and kiosks only made base rental payments. Under the terms of a typical lease, the Company is required to conform and maintain its usage to agreed standards, including meeting required advertising expenditure as a percentage of sales, and are responsible for its proportionate share of expenses associated with common area maintenance, utilities and taxes of the mall. The initial term of a mall store lease is generally ten years for Sterling Jewelers, one to ten years for Zale Jewelry and one to five years for Piercing Pagoda kiosks. Towards the end of a lease, management evaluates whether to renew a lease and refit the store, using similar operational and investment criteria as for a new store. Where management is uncertain whether the location will meet management's required return on investment, but the store is profitable, the leases may be renewed for one to five years during which time the store's performance is further evaluated. There are typically about 250 such mall stores at any one time in the Sterling Jewelers segment, as well as the Zale Jewelry segment. Jared stores are normally opened on 15 to 20 year leases with options to extend the lease, and rents are not sales related. A refurbishment of a Jared store is normally undertaken every five to ten years. The Zale Jewelry segment operates stores in Canada and Puerto Rico, all under operating leases, with terms and characteristics similar to the US locations described above. The Piercing Pagoda segment operates kiosks in Puerto Rico, all under operating leases, with terms and characteristics similar to the US locations described above.

At January 31, 2015, the average unexpired lease term of US leased premises for the Sterling Jewelers segment was five years, and over 57% of these leases had terms expiring within five years. The cost of refitting a mall store is

similar to the cost of fitting out a new mall store which is typically between \$460,000 and \$915,000. Jared remodels have one of two tiers, the full scope tier ranges between \$1,100,000 and \$1,300,000 and reduced scope tier ranges between \$500,000 and \$600,000. New Jared stores are typically ground leases which range between \$2,300,000 and \$2,400,000. Management expects that about 62 new stores will be opened during Fiscal 2016. In Fiscal 2015, the level of major store refurbishment increased with 77 locations being completed (Fiscal 2014: 68 locations). It is anticipated that refurbishment activity in Fiscal 2016 will involve 96 stores. In addition, 33 regional brand stores were converted to the Jared brand in Fiscal 2015 and 65 regional brand stores were converted to the Kay brand in Fiscal 2014. The investment was financed by cash flow from operating activities.

At January 31, 2015, the average unexpired lease term of leased premises for Zale Jewelry and Piercing Pagoda segments was three and two years, respectively, with approximately 67% of these leases having terms expiring within five years. The cost of refitting a Zale Jewelry mall store is similar to the cost of fitting out a new mall store which is typically between \$400,000 and \$500,000. The cost of a new Piercing Pagoda kiosk is typically \$80,000 to \$90,000. Management expects that about 25 new Zale Jewelry stores and 10 new Piercing Pagoda kiosks will be opened

Table of Contents

during Fiscal 2016. In Fiscal 2015, major store refurbishments were completed at 31 Zale Jewelry stores and 63 Piercing Pagoda kiosks. It is anticipated that refurbishment activity in Fiscal 2016 will involve 57 stores and 47 kiosks.

In the US, the Sterling Jewelers, Zale Jewelry and Piercing Pagoda segments collectively lease approximately 20% of store and kiosk locations from a single lessor. In Canada, Zale Jewelry leases approximately 50% of its store locations from four lessors, with no individual lessor relationship exceeding 16% of its store locations. The segments had no other relationship with any lessor relating to 10% or more of its locations. At January 31, 2015, the Sterling Jewelers segment had 2.88 million square feet of net selling space (February 1, 2014: 2.75 million), while the Zale Jewelry and Piercing Pagoda segments had 1.07 million and 0.11 million square feet, respectively, of net selling space in the US. The Zale Jewelry segment also had 0.24 million square feet of net selling space in Canada.

During the past five fiscal years, the Company generally has been successful in renewing its store leases as they expire and has not experienced difficulty in securing suitable locations for its stores. No store lease is individually material to Signet's Sterling Jewelers, Zale Jewelry or Piercing Pagoda operations.

A 375,000 square foot head office and distribution facility is leased in Akron, Ohio through 2032. An 86,000 square foot office building next door to the head office is also leased through 2032, to which Signet relocated its credit operations in Fiscal 2013. A 78,000 square foot warehouse space in Barberton, Ohio for non-merchandise fulfillment is leased through 2017. Signet owns a 38,000 square foot repair center which was opened in Akron, Ohio during Fiscal 2006. In 2014, an agreement was signed to lease a 4,600 square foot diamond design office in New York City through 2020. A 32,000 square foot office in Akron, Ohio was also leased through 2019, to which certain corporate functions relocated in 2014.

Acquired as part of the Zale acquisition, the Company leases a 414,000 square foot facility, which serves as the Zale division's headquarters and primary distribution facility. The lease for this facility in Irving, Texas extends through March 2018. A 26,000 square foot distribution and merchandise fulfillment facility is also leased in Toronto, Ontario through 2019 to support the Zale division's operations.

UK property

At January 31, 2015, Signet's UK Jewelry division operated from six freehold premises and 517 leasehold premises. The division's stores are generally leased under full repairing and insuring leases (equivalent to triple net leases in the US). Wherever possible, Signet is shortening the length of new leases that it enters into, or including break clauses in order to improve the flexibility of its lease commitments. At January 31, 2015, the average unexpired lease term of UK Jewelry premises was 6 years, and a majority of leases had either break clauses or terms expiring within five years. Rents are usually subject to upward review every five years if market conditions so warrant. An increasing proportion of rents also have an element related to the sales of a store, subject to a minimum annual value. For details of assigned leases and sublet premises see Note 24 of Item 8.

At the end of the lease period, subject to certain limited exceptions, UK Jewelry leaseholders generally have statutory rights to enter into a new lease of the premises on negotiated terms. As current leases expire, Signet believes that it will be able to renew leases, if desired, for present store locations or to obtain leases in equivalent or improved locations in the same general area. Signet has not experienced difficulty in securing leases for suitable locations for its UK Jewelry stores. No store lease is individually material to Signet's UK Jewelry operations.

A typical UK Jewelry store undergoes a major refurbishment every 10 years and a less costly store redecoration every five years. It is intended that these investments will be financed by cash from operating activities. The cost of refitting a store is typically between £100,000 and £600,000 for both H.Samuel and Ernest Jones, while expansion in prestige locations typically doubles those costs.

The UK Jewelry division has no relationship with any lessor relating to 10% or more of its store locations. At January 31, 2015, the UK Jewelry division has 0.51 million square feet of net selling space (February 1, 2014: 0.50 million). Signet owns a 255,000 square foot warehouse and distribution center in Birmingham, where certain of the UK Jewelry division's central administration functions are based, as well as eCommerce fulfillment. The remaining activities are situated in a 36,200 square foot office in Borehamwood, Hertfordshire which is held on a 15 year lease entered into in 2005.

Certain corporate functions are located in a 3,350 square foot office in London, on a 10 year lease which was entered into in Fiscal 2013.

Distribution capacity

All divisions have sufficient capacity to meet their current needs.

Other property

On November 4, 2013, Signet purchased a diamond polishing factory in Gaborone, Botswana with approximately 34,200 square feet of floor space.

ITEM 3. LEGAL PROCEEDINGS

See discussion of legal proceedings in Note 24 of Item 8.

Table of Contents

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market information

The principal trading market for the Company's Common Shares is the NYSE (symbol: SIG). The Company also maintains a standard listing of its Common Shares on the London Stock Exchange (symbol: SIG).

The following table sets forth the high and low closing share price on each stock exchange for the periods indicated:

	New York		London	
	Stock Exchange		Stock Exchange	
	Price per share		Price per share	
	High	Low	High	Low
Fiscal 2014	\$		£	
First quarter	69.99	59.64	45.24	39.13
Second quarter	74.65	65.14	49.34	42.64
Third quarter	76.56	66.40	49.00	42.60
Fourth quarter	80.86	70.12	49.00	42.99
Full year	80.86	59.64	49.00	39.13
Fiscal 2015				
First quarter	107.11	75.28	64.48	46.05
Second quarter	112.55	97.56	65.66	57.96
Third quarter	120.01	102.10	75.04	60.76
Fourth quarter	132.12	119.62	86.38	74.34
Full year	132.12	75.28	86.38	46.05

Number of holders

As of March 16, 2015, there were 10,612 of record.

Dividends

On March 27, 2014, the Board of Directors (the "Board") declared a 20% increase in the first quarter dividend, resulting in an increase from \$0.15 to \$0.18 per Signet Common Share. The following table contains the Company's dividends declared for Fiscal 2015, Fiscal 2014 and Fiscal 2013:

(in millions, except per share amounts)	Fiscal 2015		Fiscal 2014		Fiscal 2013	
	Cash dividend per share	Total dividends	Cash dividend per share	Total dividends	Cash dividend per share	Total dividends
First quarter	\$0.18	\$ 14.4	\$0.15	\$ 12.1	\$0.12	\$ 10.3
Second quarter	0.18	14.4	0.15	12.1	0.12	9.6
Third quarter	0.18	14.5	0.15	12.0	0.12	9.8
Fourth quarter ⁽¹⁾	0.18	14.4	0.15	12.0	0.12	9.8
Total	\$0.72	\$ 57.7	\$0.60	\$ 48.2	\$0.48	\$ 39.5

(1) Signet's dividend policy results in the dividend payment date being a quarter in arrears from the declaration date. As a result, the dividend declared in the fourth quarter of each fiscal year is paid in the subsequent fiscal year. The dividends are reflected in the consolidated statement of cash flows upon payment.

Future payments of quarterly dividends will be based on Signet's ability to satisfy all applicable statutory and regulatory requirements and its continued financial strength. Any future payment of cash dividends will depend upon such factors as Signet's earnings, capital requirements, financial condition, restrictions under Signet's credit facility, legal restrictions and other factors deemed relevant by the Board.

Table of Contents

Repurchases of equity securities

The following table contains the Company's repurchases of equity securities in the fourth quarter of Fiscal 2015:

Period	Total number of shares purchased ⁽²⁾	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs ⁽¹⁾	Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs
November 2, 2014 to November 29, 2014	—	\$—	—	\$265,585,172
November 30, 2014 to December 27, 2014	—	\$—	—	\$265,585,172
December 28, 2014 to January 31, 2015	219	\$121.20	—	\$265,585,172
Total	219	\$121.20	—	\$265,585,172

⁽¹⁾ On June 14, 2013, the Board authorized the repurchase of up to \$350 million of Signet's common shares (the "2013 Program"). The 2013 Program may be suspended or discontinued at any time without notice.

⁽²⁾ Represents shares delivered to Signet by employees to satisfy tax withholding obligations due upon the vesting or payment of stock awards under our various programs. These are not repurchased in connection with our publicly announced programs.

Performance graph

The following performance graph and related information shall not be deemed "soliciting material" or to be filed with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that Signet specifically incorporates it by reference into such filing.

Historical share price performance should not be relied upon as an indication of future share price performance.

The following graph compares the cumulative total return to holders of Signet's Common Shares against the cumulative total return of the Russell 1000 Index and Dow Jones US General Retailers Index for the five year period ended January 31, 2015. The comparison of the cumulative total returns for each investment assumes that \$100 was invested in Signet's Common Shares and the respective indices on January 30, 2010 through January 31, 2015.

Exchange controls

The Parent Company is classified by the Bermuda Monetary Authority as a non-resident of Bermuda for exchange control purposes. The transfer of Common Shares between persons regarded as resident outside Bermuda for exchange control purposes may be effected without specific consent under the Exchange Control Act of 1972 of Bermuda and regulations thereunder and the issuance of Common Shares to persons regarded as resident outside Bermuda for exchange control purposes may also be effected without specific consent under the Exchange Control Act of 1972 and regulations thereunder. Issues and transfers of Common Shares involving any person regarded as resident in Bermuda for exchange control purposes may require specific prior approval under the Exchange Control Act of 1972.

The owners of Common Shares who are ordinarily resident outside Bermuda are not subject to any restrictions on their rights to hold or vote their shares. Because the Parent Company has been designated as a non-resident for Bermuda exchange control purposes, there are no restrictions on

Table of Contents

its ability to transfer funds into and out of Bermuda or to pay dividends to US residents who are holders of Common Shares, other than in respect of local Bermuda currency.

Taxation

The following are brief and general summaries of the United States and United Kingdom taxation treatment of holding and disposing of Common Shares. The summaries are based on existing law, including statutes, regulations, administrative rulings and court decisions, and what is understood to be current Internal Revenue Service (“IRS”) and HM Revenue & Customs (“HMRC”) practice, all as in effect on the date of this document. Future legislative, judicial or administrative changes or interpretations could alter or modify statements and conclusions set forth below, and these changes or interpretations could be retroactive and could affect the tax consequences of holding and disposing of Common Shares. The summaries do not consider the consequences of holding and disposing of Common Shares under tax laws of countries other than the US (or any US laws other than those pertaining to federal income tax), the UK and Bermuda, nor do the summaries consider any alternative minimum tax, state or local consequences of holding and disposing of Common Shares.

The summaries provide general guidance to US holders (as defined below) who hold Common Shares as capital assets (within the meaning of section 1221 of the US Internal Revenue Code of 1986, as amended (the “US Code”)) and to persons resident and domiciled for tax purposes in the UK who hold Common Shares as an investment, and not to any holders who are taxable in the UK on a remittance basis or who are subject to special tax rules, such as banks, financial institutions, broker-dealers, persons subject to mark-to-market treatment, UK resident individuals who hold their Common Shares under a personal equity plan, persons that hold their Common Shares as a position in part of a straddle, conversion transaction, constructive sale or other integrated investment, US holders whose “functional currency” is not the US dollar, persons who received their Common Shares by exercising employee share options or otherwise as compensation, persons who have acquired their Common Shares by virtue of any office or employment, S corporations or other pass-through entities (or investors in S corporations or other pass-through entities), mutual funds, insurance companies, tax-exempt organizations, US holders subject to the alternative minimum tax, certain expatriates or former long-term residents of the US, and US holders that directly or by attribution hold 10% or more of the voting power of the Parent Company’s shares. This summary does not address US federal estate tax, state or local taxes, or the 3.8% Medicare tax on net investment income.

The summaries are not intended to provide specific advice and no action should be taken or omitted to be taken in reliance upon it. If you are in any doubt about your taxation position, or if you are resident or domiciled outside the UK or resident or otherwise subject to taxation in a jurisdiction outside the UK or the US, you should consult your own professional advisers immediately.

The Parent Company is incorporated in Bermuda. The directors intend to conduct the Parent Company’s affairs such that, based on current law and practice of the relevant tax authorities, the Parent Company will not become resident for tax purposes in any other territory. This guidance is written on the basis that the Parent Company does not become resident in a territory other than Bermuda.

US taxation

As used in this discussion, the term “US holder” means a beneficial owner of Common Shares who is for US federal income tax purposes: (i) an individual US citizen or resident; (ii) a corporation, or entity treated as a corporation, created or organized in or under the laws of the United States; (iii) an estate whose income is subject to US federal income taxation regardless of its source; or (iv) a trust if either: (a) a court within the US is able to exercise primary supervision over the administration of such trust and one or more US persons have the authority to control all substantial decisions of such trust; or (b) the trust has a valid election in effect to be treated as a US resident for US federal income tax purposes.

If a partnership (or other entity classified as a partnership for US federal tax income purposes) holds Common Shares, the US federal income tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partnerships, and partners in partnerships, holding Common Shares are encouraged to consult their tax advisers.

Dividends and other distributions upon Common Shares

Distributions made with respect to Common Shares will generally be includable in the income of a US holder as ordinary dividend income, to the extent paid out of current or accumulated earnings and profits of the Parent Company as determined in accordance with US federal income tax principles. The amount of such dividends will generally be treated partly as US-source and partly as foreign-source dividend income, for US foreign tax credit purposes, in proportion to the earnings from which they are considered paid for as long as 50% or more of the Parent Company's shares are directly or indirectly owned by US persons. Dividend income received from the Parent Company will not be eligible for the "dividends received deduction" generally allowed to US corporations under the US Code. Subject to applicable limitations, including a requirement that the Common Shares be listed for trading on the NYSE, the NASDAQ Stock Market, or another qualifying US exchange, dividends with respect to Common Shares so listed that are paid to non-corporate US holders will generally be taxable at a current maximum tax rate of 20%.

Sale or exchange of Common Shares

Gain or loss realized by a US holder on the sale or exchange of Common Shares generally will be subject to US federal income tax as capital gain or loss in an amount equal to the difference between the US holder's tax basis in the Common Shares and the amount realized on the disposition. Such gain or loss will be long-term capital gain or loss if the US holder held the Common Shares for more than one year. Gain or loss, if any, will generally be US source for foreign tax credit purposes. The deductibility of capital losses is subject to limitations. Non-corporate US holders are eligible for a current maximum 20% long-term capital gains taxation rate.

Table of Contents

Information reporting and backup withholding

Payments of dividends on, and proceeds from a sale or other disposition of, Common Shares, may, under certain circumstances, be subject to information reporting and backup withholding at a rate of 28% of the cash payable to the holder, unless the holder provides proof of an applicable exemption or furnishes its taxpayer identification number, and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a US holder under the backup withholding rules are not additional tax and should be allowed as a refund or credit against the US holder's US federal income tax liability, provided the required information is timely furnished to the IRS.

Passive foreign investment company status

A non-US corporation will be classified as a passive foreign investment company (a "PFIC") for any taxable year if at least 75% of its gross income consists of passive income (such as dividends, interest, rents, royalties or gains on the disposition of certain minority interests), or at least 50% of the average value of its assets consists of assets that produce, or are held for the production of, passive income. For the purposes of these rules, a non-US corporation is considered to hold and receive directly its proportionate share of the assets and income of any other corporation of whose shares it owns at least 25% by value. Consequently, the Parent Company's classification under the PFIC rules will depend primarily upon the composition of its assets and income.

If the Parent Company is characterized as a PFIC, US holders would suffer adverse tax consequences, and US federal income tax consequences different from those described above may apply. These consequences may include having gains realized on the disposition of Common Shares treated as ordinary income rather than capital gain and being subject to punitive interest charges on certain distributions and on the proceeds of the sale or other disposition of Common Shares. The Parent Company believes that it is not a PFIC and that it will not be a PFIC for the foreseeable future. However, since the tests for PFIC status depend upon facts not entirely within the Parent Company's control, such as the amounts and types of its income and values of its assets, no assurance can be provided that the Parent Company will not become a PFIC. US holders of PFIC shares are required to file IRS Form 8621 annually. US holders should consult their own tax advisers regarding the potential application of the PFIC rules to Common Shares.

Foreign financial asset reporting requirement

A US holder that is an individual and holds certain foreign financial assets (including Signet's Common Shares) must file IRS Form 8938 to report the ownership of such assets if the total value of those assets exceeds the applicable threshold amounts, generally \$50,000 on the last day of the tax year or more than \$75,000 at any time during the tax year. Some US holders may be subject to a greater threshold before reporting is required. Proposed regulations also would require certain domestic entities that are formed, or availed of, for purposes of holding, directly or indirectly, specified foreign financial assets to file IRS Form 8938. However, in general, such form is not required to be filed with respect to Signet's Common Shares if they are held through a domestic financial institution.

Taxpayers who fail to make the required disclosure with respect to any taxable year are subject to a penalty of \$10,000 for such taxable year, which may be increased up to \$50,000 for a continuing failure to file the form after being notified by the IRS. In addition, the failure to file Form 8938 will extend the statute of limitations for a taxpayer's entire related income tax return (and not just the portion of the return that relates to the omission) until at least three years after the date on which the Form 8938 is filed.

All US holders are urged to consult with their own tax advisors with respect to the application of this reporting requirement to their circumstances.

UK taxation

Chargeable gains

A disposal of Common Shares by a shareholder who is resident in the UK may, depending on individual circumstances (including the availability of exemptions or allowable losses), give rise to a liability to (or an allowable loss for the purposes of) UK taxation of chargeable gains.

Any chargeable gain or allowable loss on a disposal of the Common Shares should be calculated taking into account the allowable cost to the holder of acquiring his Common Shares. In the case of corporate shareholders, to this should be added, when calculating a chargeable gain but not an allowable loss, indexation allowance on the allowable cost. (Indexation allowance is not available for non-corporate shareholders.)

Individuals who hold their Common Shares within an individual savings account (“ISA”) and are entitled to ISA-related tax relief in respect of the same, will generally not be subject to UK taxation of chargeable gains in respect of any gain arising on a disposal of Common Shares.

Taxation of dividends on Common Shares

Under current UK law and practice, UK withholding tax is not imposed on dividends.

Subject to anti-avoidance rules and the satisfaction of certain conditions, UK resident shareholders who are within the charge to UK corporation tax will in general not be subject to corporation tax on dividends paid by the Parent Company on the Common Shares.

A UK resident individual shareholder who is liable to UK income tax at no more than the basic rate will be liable to income tax on dividends paid by the Parent Company on the Common Shares at the dividend ordinary rate (10% in tax year 2014/15). A UK resident individual shareholder who is liable to UK income tax at the higher rate will be subject to income tax on the dividend income at the dividend upper rate (32.5% in 2014/15). A further rate of income tax (the “additional rate”) will apply to individuals with taxable income over a certain threshold, which is

Table of Contents

currently £150,000 for 2014/15. A UK resident individual shareholder subject to the additional rate will be liable to income tax on their dividend income at the dividend additional rate of 37.5% (in 2014/15, as from the start of this tax year on April 6, 2014) of the gross dividend to the extent that the gross dividend when treated as the top slice of the shareholder's income falls above the current £150,000 threshold.

UK resident individuals in receipt of dividends from the Parent Company, if they own less than a 10% shareholding in the Parent Company, will be entitled to a non-payable dividend tax credit (currently at the rate of 1/9th of the cash dividend paid (or 10% of the aggregate of the net dividend and related tax credit)). Assuming that there is no withholding tax imposed on the dividend (as to which see the section on Bermuda taxation below), the individual is treated as receiving for UK tax purposes gross income equal to the cash dividend plus the tax credit. The tax credit is set against the individual's tax liability on that gross income. The result is that a UK resident individual shareholder who is liable to UK income tax at no more than the basic rate will have no further UK income tax to pay on a Parent Company dividend. A UK resident individual shareholder who is liable to UK income tax at the higher rate will have further UK income tax to pay of 22.5% of the dividend plus the related tax credit (or 25% of the cash dividend, assuming that there is no withholding tax imposed on that dividend). A UK resident individual subject to income tax at the additional rate for 2014/15 will have further UK income tax to pay of 27.5% of the dividend plus the tax credit (or 30 5/9% of the cash dividend, assuming that there is no withholding tax imposed on that dividend), to the extent that the gross dividend falls above the threshold for the 45% rate of income tax.

Individual shareholders who hold their Common Shares in an ISA and are entitled to ISA-related tax relief in respect of the same will not be taxed on the dividends from those Common Shares but are not entitled to recover the tax credit on such dividends from HMRC.

Stamp duty/stamp duty reserve tax ("SDRT")

In practice, stamp duty should generally not need to be paid on an instrument transferring Common Shares. No SDRT will generally be payable in respect of any agreement to transfer Common Shares or Depositary Interests. The statements in this paragraph summarize the current position on stamp duty and SDRT and are intended as a general guide only. They assume that the Parent Company will not be UK managed and controlled and that the Common Shares will not be registered in a register kept in the UK by or on behalf of the Parent Company. The Parent Company has confirmed that it does not intend to keep such a register in the UK.

Bermuda taxation

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Parent Company or by its shareholders in respect of its Common Shares. The Parent Company has obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 31, 2035, be applicable to it or to any of its operations or to its shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by it in respect of real property owned or leased by it in Bermuda.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The financial data included below for Fiscal 2015, Fiscal 2014 and Fiscal 2013 have been derived from the audited consolidated financial statements included in Item 8. The financial data for these periods should be read in conjunction with the financial statements, including the notes thereto, and Item 7. The financial data included below for Fiscal 2012 and Fiscal 2011 have been derived from the previously published consolidated audited financial statements not included in this document.

Table of Contents

FINANCIAL DATA:	Fiscal 2015	(1) Fiscal 2014	Fiscal 2013	(2) Fiscal 2012	Fiscal 2011
	(in millions)				
Income statement:					
Sales	\$5,736.3	\$4,209.2	\$3,983.4	\$3,749.2	\$3,437.4
Cost of sales	(3,662.1)	(2,628.7)	(2,446.0)	(2,311.6)	(2,194.5)
Gross margin	2,074.2	1,580.5	1,537.4	1,437.6	1,242.9
Selling, general and administrative expenses	(1,712.9)	(1,196.7)	(1,138.3)	(1,056.7)	(980.4)
Other operating income, net	215.3	186.7	161.4	126.5	110.0
Operating income	576.6	570.5	560.5	507.4	372.5
Interest expense, net	(36.0)	(4.0)	(3.6)	(5.3)	(72.1)
Income before income taxes	540.6	566.5	556.9	502.1	300.4
Income taxes	(159.3)	(198.5)	(197.0)	(177.7)	(100.0)
Net income	\$381.3	\$368.0	\$359.9	\$324.4	\$200.4
Adjusted EBITDA ⁽³⁾	\$762.9	\$680.7	\$659.9	\$599.8	\$470.3
Income statement:					
	(as a percent to sales)				
Sales	100.0	100.0	100.0	100.0	100.0
Cost of sales	(63.8)	(62.5)	(61.4)	(61.7)	(63.8)
Gross margin	36.2	37.5	38.6	38.3	36.2
Selling, general and administrative expenses	(29.9)	(28.4)	(28.6)	(28.2)	(28.5)
Other operating income, net	3.7	4.4	4.1	3.4	3.1
Operating income	10.0	13.5	14.1	13.5	10.8
Interest expense, net	(0.6)	(0.1)	(0.1)	(0.1)	(2.1)
Income before income taxes	9.4	13.4	14.0	13.4	8.7
Income taxes	(2.8)	(4.7)	(5.0)	(4.7)	(2.9)
Net income	6.6	8.7	9.0	8.7	5.8
Adjusted EBITDA ⁽³⁾	13.3	16.2	16.6	16.0	13.7
Per share data:					
Earnings per share: basic	\$4.77	\$4.59	\$4.37	\$3.76	\$2.34
diluted	\$4.75	\$4.56	\$4.35	\$3.73	\$2.32
Weighted average common shares outstanding:					
basic (millions)	79.9	80.2	82.3	86.2	85.7
diluted (millions)	80.2	80.7	82.8	87.0	86.4
Dividends declared per share	\$0.72	\$0.60	\$0.48	\$0.20	\$—

⁽¹⁾ On May 29, 2014, the Company completed the acquisition of Zale Corporation. Fiscal 2015 results include Zale Corporation's results since the date of acquisition. See Note 3 of Item 8 for additional information.

⁽²⁾ Fiscal 2013 was a 53 week period. The 53rd week added \$56.4 million in net sales and decreased diluted earnings per share by approximately \$0.02 for fiscal period.

⁽³⁾ Adjusted EBITDA is a non-GAAP measure, see "GAAP and non-GAAP Measures" below.

Table of Contents

(in millions)	Fiscal 2015 ⁽¹⁾	Fiscal 2014	Fiscal 2013	Fiscal 2012	Fiscal 2011
Balance sheet:					
Total assets	\$6,327.6	\$4,029.2	\$3,719.0	\$3,611.4	\$3,089.8
Total liabilities	3,517.2	1,466.1	1,389.1	1,332.3	1,150.8
Total shareholders' equity	2,810.4	2,563.1	2,329.9	2,279.1	1,939.0
Working capital	3,069.0	2,356.9	2,164.2	2,158.3	1,831.3
Cash and cash equivalents	193.6	247.6	301.0	486.8	302.1
Loans and overdrafts	(97.5)	(19.3)	—	—	(31.0)
Long-term debt	(1,363.8)	—	—	—	—
Net (debt) cash ⁽²⁾	\$(1,267.7)	\$228.3	\$301.0	\$486.8	\$271.1
Common shares outstanding	80.2	80.2	81.4	86.9	86.2
Cash flow:					
Net cash provided by operating activities	\$283.0	\$235.5	\$312.7	\$325.2	\$323.1
Net cash used in investing activities	(1,652.6)	(160.4)	(190.9)	(97.8)	(55.6)
Net cash provided by (used in) financing activities	1,320.9	(124.8)	(308.1)	(40.0)	(282.3)
(Decrease) increase in cash and cash equivalents	\$(48.7)	\$(49.7)	\$(186.3)	\$187.4	\$(14.8)
Ratios:					
Operating margin	10.0 %	13.5 %	14.1 %	13.5 %	10.8 %
Effective tax rate	29.5 %	35.0 %	35.4 %	35.4 %	33.3 %
ROCE ⁽²⁾	19.5 %	25.2 %	28.1 %	28.6 %	23.0 %
Adjusted Leverage ⁽²⁾	4.0	2.0	2.0	2.1	2.7
Store data:					
	Fiscal	⁽¹⁾ Fiscal	Fiscal	Fiscal	Fiscal
	2015	2014	2013	2012	2011
Store locations (at end of period):					
Sterling Jewelers	1,504	1,471	1,443	1,318	1,317
UK Jewelry	498	493	511	535	540
Zale Jewelry	972	n/a	n/a	n/a	n/a
Piercing Pagoda	605	n/a	n/a	n/a	n/a
Signet	3,579	1,964	1,954	1,853	1,857
Percentage increase (decrease) in same store sales:					
Sterling Jewelers	4.8 %	5.2 %	4.0 %	11.1 %	8.9 %
UK Jewelry	5.3 %	1.0 %	0.3 %	0.9 %	(1.4)%
Zale Jewelry	1.7 %	n/a	n/a	n/a	n/a
Piercing Pagoda	0.2 %	n/a	n/a	n/a	n/a
Signet	4.1 %	4.4 %	3.3 %	9.0 %	6.7 %
Number of employees (full-time equivalents)	28,949 ⁽³⁾	18,179 ⁽⁴⁾	17,877 ⁽⁵⁾	16,555	16,229

⁽¹⁾ On May 29, 2014, the Company completed the acquisition of Zale Corporation. Fiscal 2015 includes Zale Corporation's results since the date of acquisition. See Note 3 of Item 8 for additional information.

⁽²⁾ Net cash (debt), ROCE and adjusted leverage are non-GAAP measures, see "GAAP and non-GAAP Measures" below.

⁽³⁾ Number of employees includes 9,241 and 226 full-time equivalents employed in the Zale division and the diamond polishing plant located in Botswana.

⁽⁴⁾ Number of employees includes 211 full-time equivalents employed at the diamond polishing plant located in Botswana.

⁽⁵⁾ Number of employees includes 830 full-time equivalents employed by Ultra.

n/a Not applicable as Zale division was acquired on May 29, 2014.

GAAP AND NON-GAAP MEASURES

The discussion and analysis of Signet's results of operations, financial condition and liquidity contained in this Report are based upon the consolidated financial statements of Signet which are prepared in accordance with US GAAP and

should be read in conjunction with Signet's financial statements and the related notes included in Item 8. A number of non-GAAP measures are used by management to analyze and manage the performance of the business, and the required disclosures for these non-GAAP measures are shown below. In particular, the terms "at constant exchange rates," "underlying" and "underlying at constant exchange rates" are used in a number of places. "At constant exchange rates" is used to indicate where items have been adjusted to eliminate the impact of exchange rate movements on translation of British pound and Canadian

Table of Contents

dollar amounts to US dollars. “Underlying” is used to indicate where adjustments for significant, unusual and non-recurring items have been made and “underlying at constant exchange rates” indicates where the underlying items have been further adjusted to eliminate the impact of exchange rate movements on translation of British pound and Canadian dollar amounts to US dollars.

Signet provides such non-GAAP information in reporting its financial results to give investors additional data to evaluate its operations. Management does not, nor does it suggest investors should, consider such non-GAAP measures in isolation from, or in substitution for, financial information prepared in accordance with GAAP.

1. Income statement at constant exchange rates

Movements in the US dollar to British pound and Canadian dollar exchange rates have an impact on Signet’s results. The UK Jewelry division is managed in British pounds and the Canadian reporting unit of the Zale Jewelry segment in Canadian dollars as sales and a majority of operating expenses are incurred in those foreign currencies. The results for each are then translated into US dollars for external reporting purposes. Management believes it assists in understanding the performance of Signet and its segments if constant currency figures are given. This is particularly so in periods when exchange rates are volatile. The constant currency amounts are calculated by retranslating the prior year figures using the current year’s exchange rate. Management considers it useful to exclude the impact of movements in the British pound and Canadian dollar to US dollar exchange rates to analyze and explain changes and trends in Signet’s sales and costs.

(a) Fiscal 2015 percentage change in results at constant exchange rates

	Fiscal 2015	Fiscal 2014	Change	Impact of exchange rate movement	Fiscal 2014 at constant exchange rates (non-GAAP)	Fiscal 2015 change at constant exchange rates (non-GAAP)
	(in millions)	(in millions)	%	(in millions)	(in millions)	%
Sales by origin and destination:						
Sterling Jewelers	\$3,765.0	\$3,517.6	7.0	\$ —	\$ 3,517.6	7.0
UK Jewelry	743.6	685.6	8.5	18.0	703.6	5.7
Zale Jewelry	1,068.7	n/a	nm	nm	n/a	nm
Piercing Pagoda	146.9	n/a	nm	nm	n/a	nm
Other	12.1	6.0	101.7	—	6.0	101.7
	5,736.3	4,209.2	36.3	18.0	4,227.2	35.7
Cost of sales	(3,662.1)	(2,628.7)	(39.3)	(14.9)	(2,643.6)	(38.5)
Gross margin	2,074.2	1,580.5	31.2	3.1	1,583.6	31.0
Selling, general and administrative expenses	(1,712.9)	(1,196.7)	(43.1)	(6.3)	(1,203.0)	(42.4)
Other operating income, net	215.3	186.7	15.3	—	186.7	15.3
Operating income (loss):						
Sterling Jewelers	624.3	553.2	12.9	—	553.2	12.9
UK Jewelry	52.2	42.4	23.1	(3.2)	39.2	33.2
Zale Jewelry ⁽¹⁾	(1.9)	n/a	nm	nm	n/a	nm
Piercing Pagoda ⁽²⁾	(6.3)	n/a	nm	nm	n/a	nm
Other ⁽³⁾	(91.7)	(25.1)	(265.3)	—	(25.1)	(265.3)
	576.6	570.5	1.1	(3.2)	567.3	1.6
Interest expense, net	(36.0)	(4.0)	(800.0)	—	(4.0)	(800.0)
Income before income taxes	540.6	566.5	(4.6)	(3.2)	563.3	(4.0)
Income taxes	(159.3)	(198.5)	19.7	0.8	(197.7)	19.4
Net income	\$381.3	\$368.0	3.6	\$ (2.4)	\$ 365.6	4.3
Basic earnings per share	\$4.77	\$4.59	3.9	\$ (0.03)	\$ 4.56	4.6

Table of Contents

(b) Fourth quarter Fiscal 2015 percentage change in results at constant exchange rates

	13 weeks ended January 31, 2015	13 weeks ended February 1, 2014	Change	Impact of exchange rate movement	13 weeks ended February 1, 2014 at constant exchange rates (non-GAAP)	13 weeks ended January 31, 2015 change at constant exchange rates (non-GAAP)
	(in millions)	(in millions)	%	(in millions)	(in millions)	%
Sales by origin and destination:						
Sterling Jewelers	\$1,358.3	\$ 1,288.0	5.5	\$ —	\$ 1,288.0	5.5
UK Jewelry	278.0	272.2	2.1	(14.0)	258.2	7.7
Zale Jewelry	564.6	n/a	nm	nm	n/a	nm
Piercing Pagoda	72.1	n/a	nm	nm	n/a	nm
Other	3.4	3.8	(10.5)	—	3.8	(10.5)
	2,276.4	1,564.0	45.5	(14.0)	1,550.0	46.9
Cost of sales	(1,364.3)	(915.2)	(49.1)	8.8	(906.4)	(50.5)
Gross margin	912.1	648.8	40.6	(5.2)	643.6	41.7
Selling, general and administrative expenses	(634.5)	(425.8)	(49.0)	2.7	(423.1)	(50.0)
Other operating income, net	54.1	47.6	13.7	—	47.6	13.7
Operating income (loss):						
Sterling Jewelers	260.0	227.9	14.1	—	227.9	14.1
UK Jewelry	53.8	51.7	4.1	(2.6)	49.1	9.6
Zale Jewelry ⁽¹⁾	32.8	n/a	nm	nm	n/a	nm
Piercing Pagoda ⁽²⁾	3.3	n/a	nm	nm	n/a	nm
Other ⁽³⁾	(18.2)	(9.0)	(102.2)	0.1	(8.9)	(104.5)
	331.7	270.6	22.6	(2.5)	268.1	23.7
Interest expense, net	(7.9)	(1.2)	(558.3)	(0.1)	(1.3)	(507.7)
Income before income taxes	323.8	269.4	20.2	(2.6)	266.8	21.4
Income taxes	(95.8)	(94.2)	(1.7)	0.7	(93.5)	(2.5)
Net income	\$228.0	\$ 175.2	30.1	\$ (1.9)	\$ 173.3	31.6
Basic earnings per share	\$2.85	\$ 2.20	29.5	\$ (0.03)	\$ 2.17	31.3
Diluted earnings per share	\$2.84	\$ 2.18	30.3	\$ (0.02)	\$ 2.16	31.5

⁽¹⁾ Zale Jewelry includes net operating loss impact of \$14.7 million for purchase accounting adjustments.

⁽²⁾ Piercing Pagoda includes net operating loss impact of \$6.1 million for purchase accounting adjustments.

⁽³⁾ Other includes \$9.2 million of transaction-related and integration expense, as well as severance related costs.

Transaction costs include expenses associated with advisor fees for legal, tax, accounting and consulting expenses.

nm Not meaningful as the Company completed the acquisition of Zale Corporation on May 29, 2014, Fiscal 2015 includes Zale Corporation's results since the date of acquisition.

n/a Not applicable as Zale division was acquired on May 29, 2014.

Table of Contents

(c) Fiscal 2014 percentage change in results at constant exchange rates

	Fiscal 2014	Fiscal 2013	(1) Change	Impact of exchange rate movement	Fiscal 2013 at constant exchange rates (non-GAAP)	Fiscal 2014 change at constant exchange rates (non-GAAP)
	(in millions)	(in millions)	%	(in millions)	(in millions)	%
Sales by origin and destination:						
Sterling Jewelers	\$3,517.6	\$3,273.9	7.4	\$ —	\$ 3,273.9	7.4
UK Jewelry	685.6	709.5	(3.4)	(4.2)	705.3	(2.8)
Other	6.0	—	nm	—	—	nm
	4,209.2	3,983.4	5.7	(4.2)	3,979.2	5.8
Cost of sales	(2,628.7)	(2,446.0)	(7.5)	4.1	(2,441.9)	(7.6)
Gross margin	1,580.5	1,537.4	2.8	(0.1)	1,537.3	2.8
Selling, general and administrative expenses	(1,196.7)	(1,138.3)	(5.1)	1.9	(1,136.4)	(5.3)
Other operating income, net	186.7	161.4	15.7	(0.1)	161.3	15.7
Operating income (loss):						
Sterling Jewelers	553.2	547.8	1.0	—	547.8	1.0
UK Jewelry	42.4	40.0	6.0	1.7	41.7	1.7
Other	(25.1)	(27.3)	8.1	—	(27.3)	8.1
	570.5	560.5	1.8	1.7	562.2	1.5
Interest expense, net	(4.0)	(3.6)	(11.1)	—	(3.6)	(11.1)
Income before income taxes	566.5	556.9	1.7	1.7	558.6	1.4
Income taxes	(198.5)	(197.0)	(0.8)	(0.3)	(197.3)	(0.6)
Net income	\$368.0	\$359.9	2.3	\$ 1.4	\$ 361.3	1.9
Basic earnings per share	\$4.59	\$4.37	5.0	\$ 0.02	\$ 4.39	4.6
Diluted earnings per share	\$4.56	\$4.35	4.8	\$ 0.01	\$ 4.36	4.6

(1) Fiscal 2013 was a 53 week period. The 53rd week added \$56.4 million in net sales and decreased diluted earnings per share by approximately \$0.02 for the fiscal period.

nm Not meaningful as Fiscal 2014 is the first year of sales.

Table of Contents

(d) Fourth quarter Fiscal 2014 percentage change in results at constant exchange rates

	13 weeks ended February 1, 2014	14 weeks ended February 2, 2013	(1) Change	Impact of exchange rate movement	14 weeks ended February 2, 2013 at constant exchange rates (non-GAAP)	13 weeks ended February 1, 2014 change at constant exchange rates (non-GAAP)
	(in millions)	(in millions)	%	(in millions)	(in millions)	%
Sales by origin and destination:						
Sterling Jewelers	\$ 1,288.0	\$ 1,244.9	3.5	\$—	\$ 1,244.9	3.5
UK Jewelry	272.2	268.4	1.4	5.3	273.7	(0.5)
Other	3.8	—	nm	—	—	nm
	1,564.0	1,513.3	3.4	5.3	1,518.6	3.0
Cost of sales	(915.2)	(876.2)	(4.5)	(2.8)	(879.0)	(4.1)
Gross margin	648.8	637.1	1.8	2.5	639.6	1.4
Selling, general and administrative expenses	(425.8)	(410.9)	(3.6)	(0.7)	(411.6)	(3.4)
Other operating income, net	47.6	41.5	14.7	(0.2)	41.3	15.3
Operating income (loss):						
Sterling Jewelers	227.9	227.5	0.2	—	227.5	0.2
UK Jewelry	51.7	48.8	5.9	1.7	50.5	2.4
Other	(9.0)	(8.6)	(4.7)	(0.1)	(8.7)	(3.4)
	270.6	267.7	1.1	1.6	269.3	0.5
Interest expense, net	(1.2)	(1.1)	(9.1)	0.1	(1.0)	(20.0)
Income before income taxes	269.4	266.6	1.1	1.7	268.3	0.4
Income taxes	(94.2)	(94.8)	0.6	(0.3)	(95.1)	0.9
Net income	\$ 175.2	\$ 171.8	2.0	\$ 1.4	\$ 173.2	1.2
Basic earnings per share	\$ 2.20	\$ 2.13	3.3	\$ 0.02	\$ 2.15	2.3
Diluted earnings per share	\$ 2.18	\$ 2.12	2.8	\$ 0.01	\$ 2.13	2.3

(1) Fourth quarter Fiscal 2013 was a 14 week period. The 14th week added \$56.4 million in net sales and decreased diluted earnings per share by approximately \$0.02 for the fourth quarter.

nm Not meaningful as Fiscal 2014 is the first year of sales.

2. Operating data reflecting the impact of Zale operations and acquisition-related costs

The below table reflects the impact of the Zale operations, costs associated with the acquisition of Zale Corporation, along with certain other accounting adjustments made. Management finds the information useful to analyze the results of the business excluding these items in order to appropriately evaluate the performance of the business without the impact of significant and unusual items.

Table of Contents

(a) Fiscal 2015 operating data reflecting the impact of Zale operations and acquisition-related costs

Year to date Fiscal 2015 (in millions, except per share amount and Adjusted Signet % of sales)				Accounting adjustments ⁽¹⁾	Severance costs ⁽²⁾	Transaction costs ⁽³⁾	Signet consolidated, as reported		
Sales	\$5,769.9	100.0	%	\$ (33.6)	\$—	\$—	\$ 5,736.3		
Cost of sales	(3,638.4)	(63.1)	%	(23.7)	—	—	(3,662.1)		
Gross margin	2,131.5	36.9	%	(57.3)	—	—	2,074.2		
Selling, general and administrative expenses	(1,664.5)	(28.8)	%	11.4	(15.7)	(44.1)	(1,712.9)		
Other operating income, net	215.3	3.7	%	—	—	—	215.3		
Operating income (loss)	682.3	11.8	%	(45.9)	(15.7)	(44.1)	576.6		
Interest expense, net	(36.0)	(0.6)	%	—	—	—	(36.0)		
Income before income taxes	646.3	11.2	%	(45.9)	(15.7)	(44.1)	540.6		
Income taxes	(195.2)	(3.4)	%	17.4	6.0	12.5	(159.3)		
Net income (loss)	451.1	7.8	%	(28.5)	(9.7)	(31.6)	381.3		
Earnings per share – diluted	\$5.63			\$ (0.36)	\$ (0.12)	\$ (0.39)	\$ 4.75		
	Adjusted Signet excluding Zale ⁽⁴⁾			Zale operations ⁽⁵⁾		Adjusted Signet			
Sales	\$4,520.7	100.0	%	\$1,249.2	100.0	%	\$5,769.9	100.0	%
Cost of sales	(2,819.4)	(62.4)	%	(819.0)	(65.6)	%	(3,638.4)	(63.1)	%
Gross margin	1,701.3	37.6	%	430.2	34.4	%	2,131.5	36.9	%
Selling, general and administrative expenses	(1,274.3)	(28.2)	%	(390.2)	(31.2)	%	(1,664.5)	(28.8)	%
Other operating income, net	217.6	4.9	%	(2.3)	(0.2)	%	215.3	3.7	%
Operating income	644.6	14.3	%	37.7	3.0	%	682.3	11.8	%
Interest expense, net	(34.8)	(0.8)	%	(1.2)	(0.1)	%	(36.0)	(0.6)	%
Income before income taxes	609.8	13.5	%	36.5	2.9	%	646.3	11.2	%
Income taxes	(180.7)	(4.0)	%	(14.5)	(1.2)	%	(195.2)	(3.4)	%
Net income (loss)	429.1	9.5	%	22.0	1.7	%	451.1	7.8	%
Earnings per share – diluted	\$5.36			\$0.27			\$5.63		

⁽¹⁾ Includes deferred revenue adjustments related to acquisition accounting which resulted in a reset of deferred revenue associated with extended service plans previously sold by Zale Corporation. Similar to Signet's Sterling Jewelers division, historically, Zale Corporation deferred the revenue generated by the sale of lifetime warranties and recognized revenue in relation to the pattern of costs expected to be incurred, which included a profit margin on activities related to the initial selling effort. In acquisition accounting, deferred revenue is only recognized when a legal performance obligation is assumed by the acquirer. The fair value of deferred revenue is determined based on the future obligations associated with the outstanding plans at the time of the Acquisition. The acquisition accounting adjustment results in a reduction to the deferred revenue balance from \$183.8 million to \$93.3 million as of May 29, 2014 as the fair value was determined through the estimation of costs remaining to be incurred, plus a reasonable profit margin on the estimated costs. Revenues generated from the sale of extended services plans subsequent to the Acquisition are recognized in revenue in a manner consistent with Signet's methodology. Additionally, accounting adjustments include the recognition of a portion of the inventory fair value step-up of \$32.2 million and amortization expense of intangibles.

⁽²⁾ During Fiscal 2015, Signet incurred severance costs related to Zale and other management changes. These costs are included within Signet's Other segment.

⁽³⁾ Transaction costs include transaction-related and integration expenses associated with advisor fees for legal, tax, accounting, and consulting expenses. These costs are included within Signet's Other segment.

⁽⁴⁾ Includes capital structure and financing costs.

⁽⁵⁾ Includes the 247-day results of the Zale division from date of acquisition to the end of Fiscal 2015.

Table of Contents

Fourth quarter Fiscal 2015 operating data reflecting the impact of Zale operations and acquisition-related costs

Fourth Quarter Fiscal 2015

(in millions, except per share amount and % of sales)	Adjusted Signet		Accounting adjustments ⁽¹⁾	Severance costs ⁽²⁾	Transaction costs ⁽³⁾	Signet consolidated, as reported
Sales	\$2,289.2	100.0	% \$ (12.8)	\$—	\$—	\$ 2,276.4
Cost of sales	(1,352.3)	(59.1)	% (12.0)	—	—	(1,364.3)
Gross margin	936.9	40.9	% (24.8)	—	—	912.1
Selling, general and administrative expenses	(629.3)	(27.5)	% 4.0	—	(9.2)	(634.5)
Other operating income, net	54.1	2.4	% —	—	—	54.1
Operating income (loss)	361.7	15.8	% (20.8)	—	(9.2)	331.7
Interest expense, net	(10.7)	(0.5)	% 2.8	—	—	(7.9)
Income before income taxes	351.0	15.3	% (18.0)	—	(9.2)	323.8
Income taxes	(105.4)	(4.6)	% 6.8	—	2.8	(95.8)
Net income (loss)	245.6	10.7	% (11.2)	—	(6.4)	228.0
Earnings per share – diluted	\$3.06		\$ (0.14)	\$—	\$(0.08)	\$ 2.84

	Adjusted Signet excluding Zale ⁽⁴⁾		Zale operations		Adjusted Signet	
Sales	\$1,639.7	100.0	% \$649.5	100.0	% \$2,289.2	100.0
Cost of sales	(951.7)	(58.0)	% (400.6)	(61.7)	% (1,352.3)	(59.1)
Gross margin	688.0	42.0	% 248.9	38.3	% 936.9	40.9
Selling, general and administrative expenses	(439.6)	(26.8)	% (189.7)	(29.2)	% (629.3)	(27.5)
Other operating income, net	56.4	3.4	% (2.3)	(0.4)	% 54.1	2.4
Operating income	304.8	18.6	% 56.9	8.7	% 361.7	15.8
Interest expense, net	(10.1)	(0.6)	% (0.6)	(0.1)	% (10.7)	(0.5)
Income before income taxes	294.7	18.0	% 56.3	8.6	% 351.0	15.3
Income taxes	(83.4)	(5.1)	% (22.0)	(3.4)	% (105.4)	(4.6)
Net income (loss)	211.3	12.9	% 34.3	5.2	% 245.6	10.7
Earnings per share – diluted	\$2.63		\$0.43		\$3.06	

⁽¹⁾ Includes deferred revenue adjustments related to acquisition accounting which resulted in a reset of deferred revenue associated with extended service plans previously sold by Zale Corporation. Similar to Signet's Sterling Jewelers division, historically, Zale Corporation deferred the revenue generated by the sale of lifetime warranties and recognized revenue in relation to the pattern of costs expected to be incurred, which included a profit margin on activities related to the initial selling effort. In acquisition accounting, deferred revenue is only recognized when a legal performance obligation is assumed by the acquirer. The fair value of deferred revenue is determined based on the future obligations associated with the outstanding plans at the time of the Acquisition. The acquisition accounting adjustment results in a reduction to the deferred revenue balance from \$183.8 million to \$93.3 million as of May 29, 2014 as the fair value was determined through the estimation of costs remaining to be incurred, plus a reasonable profit margin on the estimated costs. Revenues generated from the sale of extended services plans subsequent to the Acquisition are recognized in revenue in a manner consistent with Signet's methodology. Additionally, accounting adjustments include the recognition of a portion of the inventory fair value step-up of \$32.2 million and amortization expense of intangibles.

⁽²⁾ During Fiscal 2015, Signet incurred severance costs related to Zale and other management changes. These costs are included within Signet's Other segment.

⁽³⁾ Transaction costs include transaction-related and integration expenses associated with advisor fees for legal, tax, accounting and consulting expenses. These costs are included within Signet's Other segment.

⁽⁴⁾ Includes capital structure and financing costs.

3. Net cash (debt)

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Net cash (debt) is the total of cash and cash equivalents less loans, overdrafts and long-term debt, and is helpful in providing a measure of the total indebtedness of the Company.

(in millions)	January 31, 2015	February 1, 2014	February 2, 2013
Cash and cash equivalents	\$ 193.6	\$ 247.6	\$ 301.0
Loans and overdrafts	(97.5)	(19.3)	—
Long-term debt	(1,363.8)	—	—
Net (debt) cash	\$(1,267.7)	\$ 228.3	\$ 301.0

Table of Contents

4. Return on capital employed excluding goodwill (“ROCE”)

ROCE is calculated by dividing the 52 week annual operating income by the average quarterly capital employed and is expressed as a percentage. Capital employed includes accounts and other receivables, inventories, property, plant and equipment, other assets, accounts payable, accrued expenses and other current liabilities, other liabilities, deferred revenue and retirement benefit asset/obligation. This is a key performance indicator used by management for assessing the effective operation of the business and is considered a useful disclosure for investors as it provides a measure of the return on Signet’s operating assets.

	Fiscal 2015	Fiscal 2014	Fiscal 2013	Fiscal 2012	Fiscal 2011
ROCE	19.5 %	25.2 %	28.1 %	28.6 %	23.0 %

5. Free cash flow

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

(in millions)	Fiscal 2015	Fiscal 2014	Fiscal 2013
Net cash provided by operating activities	\$283.0	\$235.5	\$312.7
Purchase of property, plant and equipment	(220.2)	(152.7)	(134.2)
Free cash flow	\$62.8	\$82.8	\$178.5

6. Leverage ratio

The leverage ratio is a non-GAAP measure calculated by dividing Signet's adjusted debt by adjusted EBITDAR. Adjusted debt is a non-GAAP measure defined as debt recorded in the consolidated balance sheet, plus an adjustment for operating leases (8x annual rent expense), less 70% of outstanding in-house finance receivables recorded in the consolidated balance sheet. Adjusted EBITDAR is a non-GAAP measure. Adjusted EBITDAR is defined as earnings before interest and income taxes (operating income), depreciation and amortization, and non-cash acquisition-related accounting adjustments ("Adjusted EBITDA") and further excludes rent expense for properties occupied under operating leases, non-cash share-based compensation expense, and income earned on receivable balances related to our in-house credit program. Adjusted EBITDA and Adjusted EBITDAR are considered important indicators of operating performance as they exclude the effects of financing and investing activities by eliminating the effects of interest, depreciation and amortization costs and accounting adjustments. Management believes these financial measures are helpful to enhancing investors’ ability to analyze trends in our business and evaluate our performance relative to other companies.

(in millions)	Fiscal 2015	Fiscal 2014	Fiscal 2013	Fiscal 2012	Fiscal 2011
Adjusted Debt:					
Long-term debt	\$1,363.8	\$—	\$—	\$—	\$—
Loans and Overdrafts	97.5	19.3	—	—	31.0
Adjustments:					
8 x rent expense	3,703.2	2,589.6	2,528.0	2,473.0	2,444.9
70% of financing receivables related to in-house credit program	(1,087.1)	(949.2)	(835.0)	(754.2)	(649.4)
Adjusted Debt	\$4,077.4	\$1,659.7	\$1,693.0	\$1,718.8	\$1,826.5

Table of Contents

(in millions)	Fiscal 2015	Fiscal 2014	Fiscal 2013	Fiscal 2012	Fiscal 2011
Operating income	\$576.6	\$570.5	\$560.5	\$507.4	\$372.5
Depreciation and amortization on property, plant and equipment	140.4	(1) 110.2	99.4	92.4	97.8
Amortization of definite-lived intangibles	9.3	(1)(2) —	—	—	—
Amortization of unfavorable leases and contracts	(23.7)	(2) —	—	—	—
Other non-cash accounting adjustments	60.3	(2) —	—	—	—
Adjusted EBITDA	\$762.9	\$680.7	\$659.9	\$599.8	\$470.3
Rent expense	462.9	323.7	316.0	309.1	305.6
Share-based compensation expense	12.1	14.4	15.7	17.0	17.2
Finance income from in-house credit program	(217.9)	(186.4)	(159.7)	(125.4)	(109.6)
Adjusted EBITDAR	\$1,020.0	\$832.4	\$831.9	\$800.5	\$683.5
Adjusted Leverage ratio	4.0	2.0	2.0	2.1	2.7

- Total amount of depreciation and amortization reflected on the consolidated statement of cash flows reflects
- (1) \$149.7 million for Fiscal 2015, which includes \$9.3 million related to the amortization of definite-lived intangibles, primarily favorable leases and trade names.
- (2) Total amount of operating loss relating to Acquisition accounting adjustments is \$45.9 million for Fiscal 2015 as reflected in the non-GAAP tables above.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains statements which are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, based upon management's beliefs and expectations as well as on assumptions made by and data currently available to management, appear in a number of places throughout this Annual Report on Form 10-K and include statements regarding, among other things, Signet's results of operation, financial condition, liquidity, prospects, growth, strategies and the industry in which Signet operates. The use of the words "expects," "intends," "anticipates," "estimates," "predicts," "believes," "should," "potential," "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, a decline in consumer spending, the merchandising, pricing and inventory policies followed by Signet, the reputation of Signet and its brands, the level of competition in the jewelry sector, the cost and availability of diamonds, gold and other precious metals, regulations relating to customer credit, seasonality of Signet's business, financial market risks, deterioration in customers' financial condition, exchange rate fluctuations, changes in Signet's credit rating, changes in consumer attitudes regarding jewelry, management of social, ethical and environmental risks, security breaches and other disruptions to Signet's information technology infrastructure and databases, inadequacy in and disruptions to internal controls and systems, changes in assumptions used in making accounting estimates relating to items such as extended service plans and pensions, risks related to Signet being a Bermuda corporation, the impact of the acquisition of Zale Corporation on relationships, including with employees, suppliers, customers and competitors, the impact of stockholder litigation with respect to the acquisition of Zale Corporation, and our ability to successfully integrate Zale Corporation's operations and to realize synergies from the transaction.

For a discussion of these risks and other risks and uncertainties which could cause actual results to differ materially from those expressed in any forward looking statement, see Item 1A and elsewhere in this Annual Report on Form 10-K. Signet undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances, except as required by law.

GAAP AND NON-GAAP MEASURES

The following discussion and analysis of the results of operations, financial condition and liquidity is based upon the consolidated financial statements of Signet which are prepared in accordance with US GAAP. The following information should be read in conjunction with Signet's financial statements and the related notes included in Item 8. A number of non-GAAP measures are used by management to analyze and manage the performance of the business, and the required disclosures for these measures are given in Item 6. Signet provides such non-GAAP information in reporting its financial results to give investors additional data to evaluate its operations. The Company's management does not, nor does it suggest investors should, consider such non-GAAP measures in isolation from, or in substitution for, financial information prepared in accordance with GAAP.

Exchange translation impact

The monthly average exchange rates are used to prepare the income statement and are calculated each month from the weekly average exchange rates weighted by sales. In Fiscal 2016, it is anticipated a five percent movement in the British pound to US dollar exchange rate would impact

Table of Contents

income before income tax by approximately \$2.7 million, and it is anticipated a five percent movement in the Canadian dollar to US dollar exchange rate would impact income before income tax by approximately \$0.6 million.

Transactions Affecting Comparability of Results of Operations and Liquidity and Capital Resources

The comparability of the Company's operating results for Fiscal 2015, Fiscal 2014 and Fiscal 2013 presented herein has been affected by certain transactions, including:

- The Zale Acquisition that closed on May 29, 2014, as described in Note 3 of Item 8;

- Certain transaction-related costs;

- Zale Acquisition financing as described in Note 3 and Note 19 of Item 8; and

- Certain non-recurring purchase accounting adjustments.

Fiscal 2015 overview

Results reflect the addition of Zale Corporation from the date of the Acquisition on May 29, 2014. Same store sales increased 4.1% compared to an increase of 4.4% in Fiscal 2014; total sales were up 36.3% to \$5,736.3 million compared to \$4,209.2 million in Fiscal 2014 due to the addition of the Zale division, which added \$1,215.6 million of sales, including purchase accounting adjustments. Operating margin decreased 350 basis points to 10.0% compared to 13.5% in Fiscal 2014. Operating income increased 1.1% to \$576.6 million compared to \$570.5 million in Fiscal 2014. Diluted earnings per share increased 4.2% to \$4.75 compared to \$4.56 in Fiscal 2014. Higher profit dollars and the lower operating margin were also driven by the addition of Zale which, while profitable, operated at a lower rate of profitability than the balance of Signet. See "GAAP and Non-GAAP Measures" section in Item 6 for additional information.

Signet had \$1,363.8 million of long-term debt at January 31, 2015 and no long-term debt at February 1, 2014. Cash and cash equivalents were \$193.6 million and \$247.6 million, as of January 31, 2015 and February 1, 2014, respectively. During Fiscal 2015, Signet repurchased approximately 0.3 million shares at an average cost of \$103.37 per share, which represented 0.4% of the shares outstanding at the start of Fiscal 2015, as compared to 1.6 million shares repurchased in Fiscal 2014 at an average cost of \$67.24.

Drivers of operating profitability

The key measures and drivers of operating profitability are:

- total sales - driven by the change in same store sales and net store selling space;

- gross margin;

- level of selling, general and administrative expenses; and

- movements in the US\$ to £ and US\$ to C\$ exchange rates, as Signet operates nearly 700 stores in the UK and Canada.

Same Store Sales

Same store sales growth is calculated by comparison of sales in stores that were open in both the current and the prior fiscal year. Sales from stores that have been open for less than 12 months, including acquisitions, are excluded from the comparison until their 12-month anniversary. Sales from the 12-month anniversary onwards are compared against the equivalent prior period sales within the comparable store sales comparison. Stores closed in the current financial period are included up to the date of closure and the comparative period is correspondingly adjusted. Stores that have been relocated or expanded, but remain within the same local geographic area, are included within the comparison with no adjustment to either the current or comparative period. Stores that have been refurbished are also included within the comparison except for the period when the refurbishment was taking place, when those stores are excluded from the comparison both for the current year and for the comparative period. Sales to employees are also excluded. Comparisons at divisional level are made in local currency and consolidated comparisons are made at constant exchange rates and exclude the effect of exchange rate movements by recalculating the prior period results as if they had been generated at the weighted average exchange rate for the current period. eCommerce sales are included in the calculation of same store sales for the period and the comparative figures from the anniversary of the launch of the relevant website. Same store sales exclude the 53rd week in the fiscal year in which it occurs. Management considers same store sales useful as it is a major benchmark used by investors to judge performance within the retail industry.

Table of Contents

Net Store Selling Space

	Sterling Jewelers division	Zale division	UK Jewelry division	Total Signet
Fiscal 2015				
Openings	75	12	8	95
Closures	(42)	) (54	) (3	) (99
Net change in store selling space	5	% n/a	2	% 48
Fiscal 2014				
Openings	81	n/a	2	83
Closures	(53)	n/a	(20	) (73)
Net change in store selling space	5	% n/a	(3	)% 4
Fiscal 2013				
Openings	158	n/a	—	158
Closures	(33)	n/a	(24	) (57)
Net change in store selling space	11	% n/a	(3	)% 8

⁽¹⁾ Excluding Zale division, net change in store selling space for Signet was 4% in Fiscal 2015 .

n/a Not applicable as Zale division was acquired on May 29, 2014. See Note 3 of Item 8 for additional information.

Cost of Sales and Gross Margin

Cost of sales is mostly composed of merchandise costs (net of discounts and allowances). Cost of sales also contains:
 Occupancy costs such as rent, common area maintenance, depreciation, and real estate tax.

Net bad debt expense and customers' late payments under the Sterling Jewelers customer finance program.

Store operating expenses such as utilities, displays, and merchant credit costs.

Distribution costs including freight, processing, and inventory shrinkage.

As the classification of cost of sales or selling, general and administrative expenses varies from retailer to retailer and few retailers have in-house customer finance programs, Signet's gross margin percentage may not be directly comparable to other retailers.

Factors that influence gross margin include pricing, changes in merchandise costs (principally diamonds), changes in non-merchandise components of cost of sales (as described above), changes in sales mix, foreign exchange, gold and currency hedges, and the economics of services such as repairs and extended service plans. The price of diamonds varies depending on their size, cut, color and clarity. Demand for diamonds is primarily driven by the manufacture and sale of diamond jewelry and their future price is uncertain. At times, Signet uses gold and currency hedges to reduce its exposure to market volatility in the cost of gold and the pound sterling to the US dollar exchange rate, but it is not able to do so for diamonds. For gold and currencies, the hedging period can extend to 24 months, although the majority of hedge contracts will normally be for a maximum of 12 months.

The percentage mix of the merchandise cost component of cost of sales, based on US dollars, is as follows:

	Sterling Jewelers division	Zale division	UK Jewelry division	Total Signet
Fiscal 2015				
Diamonds	52	% 43	% 10	% 45
Gold	15	% 16	% 15	% 15
All Other	33	% 41	% 75	% 40
Fiscal 2014				
Diamonds	54	% n/a	10	% 47
Gold	15	% n/a	16	% 15
All Other	31	% n/a	74	% 38

n/a Not applicable as Zale division was acquired on May 29, 2014. See Note 3 of Item 8 for additional information.

Signet uses an average cost inventory methodology and, as jewelry inventory turns slowly, the impact of movements in the cost of diamonds and gold takes time to be fully reflected in the gross margin. Our inventory turns faster in the fourth quarter than in the other three quarters, therefore,

48

Table of Contents

changes in the cost of merchandise are more quickly reflected in the gross margin in that quarter. Furthermore, Signet's hedging activities result in movements in the purchase cost of merchandise taking some time before being reflected in the gross margin. An increase in inventory turn would accelerate the rate at which commodity costs impact gross margin.

Accounts receivable comprise a large volume of transactions with no one customer representing a significant balance. The net US bad debt expense includes an estimate of the allowance for losses as of the balance sheet date. The allowance is calculated using a proprietary model that analyzes factors such as delinquency rates and recovery rates. A 100% allowance is made for any amount that is more than 90 days aged on a recency basis and any amount associated with an account the owner of which has filed for bankruptcy, as well as an allowance for those 90 days aged and under based on historical loss information and payment performance. Management believes that the primary drivers of the net Sterling Jewelers division's bad debt to total divisional sales ratio are the accuracy of the proprietary consumer credit scores used when granting customer finance, the procedures used to collect the outstanding balances, Sterling Jewelers division credit sales as a percentage of total Sterling Jewelers division sales and the rate of change in the level of unemployment in the US economy.

Selling, general and administrative expense

Selling, general and administrative expense primarily includes store staff and store administrative costs as well as advertising and promotional costs. It also includes field support center expenses such as information technology, credit, finance, eCommerce, and other operating expenses not specifically categorized elsewhere in the consolidated income statements.

The primary drivers of staffing costs are the number of full time equivalent employees employed and the level of compensation, taxes, and other benefits paid. Management varies, on a store by store basis, the hours worked based on the expected level of selling activity, subject to minimum staffing levels required to operate the store. Non-store staffing levels are less variable. A significant element of compensation is performance based and is primarily dependent on sales and operating profit.

The level of advertising expenditure can vary. The largest element of advertising expenditure is national television advertising and is determined by management's judgment of the appropriate level of advertising impressions and the cost of purchasing media.

Other operating income

Other operating income is predominantly interest income arising from in-house customer finance provided to the customers of the Sterling Jewelers division. Its level is dependent on the rate of interest charged, the credit program selected by the customer, and the level of outstanding balances. The level of outstanding balances is dependent on the sales of the Sterling Jewelers division, the proportion of sales that use the in-house customer finance, and the monthly collection rate.

Operating income

To maintain current levels of operating income, Signet needs to achieve same store sales growth sufficient to offset any adverse movement in gross margin, any increase in operating costs, the impact of any immature selling space and any adverse changes in other operating income. Same store sales growth above the level required to offset the factors outlined above allows the business to achieve leverage of its cost base and improve operating income. Slower sales growth or a sales decline would normally result in reduced operating income. When foreseen, such as through the Sterling Jewelers division's cost saving measures implemented in Fiscal 2010, Signet may be able to reduce costs to help offset the impact of slow or negative sales growth. A key factor in driving operating income is the level of average sales per store, with higher productivity allowing leverage of expenses incurred in performing store and central functions. The acquisition of companies with operating margins lower than that of Signet may cause an overall lower operating margin for Signet.

The impact on operating income of a sharp, unexpected increase or decrease in same store sales performance can be significant. This is particularly so when it occurs in the fourth quarter due to the seasonality of the business. In the medium term, there is more opportunity to adjust costs to the changed sales level, but the time it takes varies depending on the type of cost. An example of where it can take a number of months to adjust costs is expenditure on national network television advertising in the US, where Signet makes most of its commitments for the year ahead

during its second quarter. It is even more difficult to reduce base lease costs in the short or medium term, as leases in US malls are typically for one to ten years, Jared sites for 15-20 years and in the UK for a minimum of five years.

Table of Contents

Results of operations

(in millions)	Fiscal 2015	⁽¹⁾ Fiscal 2014	Fiscal 2013 ⁽²⁾
Sales	\$5,736.3	\$4,209.2	\$3,983.4
Cost of sales	(3,662.1)	(2,628.7)	(2,446.0)
Gross margin	2,074.2	1,580.5	1,537.4
Selling, general and administrative expenses	(1,712.9)	(1,196.7)	(1,138.3)
Other operating income, net	215.3	186.7	161.4
Operating income	576.6	570.5	560.5
Interest expense, net	(36.0)	(4.0)	(3.6)
Income before income taxes	540.6	566.5	556.9
Income taxes	(159.3)	(198.5)	(197.0)
Net income	\$381.3	\$368.0	\$359.9

⁽¹⁾ Fiscal 2015 results include Zale Corporation's results since the date of acquisition. See Note 3 of Item 8 for additional information.

⁽²⁾ Fiscal 2013 was a 53 week period. The 53rd week added \$56.4 million in net sales and decreased diluted earnings per share by approximately \$0.02 for both the fourth quarter and fiscal period.

The following table sets forth for the periods indicated, the percentage of sales represented by certain items included in the statements of consolidated income:

(% to sales)	Fiscal 2015	Fiscal 2014	Fiscal 2013
Sales	100.0 %	100.0 %	100.0 %
Cost of sales	(63.8)	(62.5)	(61.4)
Gross margin	36.2	37.5	38.6
Selling, general and administrative expenses	(29.9)	(28.4)	(28.6)
Other operating income, net	3.7	4.4	4.1
Operating income	10.0	13.5	14.1
Interest expense, net	(0.6)	(0.1)	(0.1)
Income before income taxes	9.4	13.4	14.0
Income taxes	(2.8)	(4.7)	(5.0)
Net income	6.6 %	8.7 %	9.0 %

COMPARISON OF FISCAL 2015 TO FISCAL 2014

Same store sales: up 4.1%.

Operating income: up 1.1% to \$576.6 million. Adjusted⁽¹⁾ operating income: up 19.6% to \$682.3 million.

Operating margin: decreased to 10.0%, down 350 basis points. Adjusted⁽¹⁾ operating margin: down 170 basis points to 11.8%.

Diluted earnings per share: up 4.2% to \$4.75. Adjusted⁽¹⁾ diluted earnings per share: up 23.5% to \$5.63.

Non-GAAP measure, see Item 6. The Company uses adjusted metrics, which adjust for purchase accounting, severance, and transaction costs principally in relation to the Zale acquisition to give investors information as to the Company's results without regard to the expenses associated with the May 2014 acquisition of Zale Corporation and certain severance costs.

In Fiscal 2015, Signet's same store sales increased by 4.1%, compared to an increase of 4.4% in Fiscal 2014. Total sales were \$5,736.3 million compared to \$4,209.2 million in Fiscal 2014, up \$1,527.1 million or 36.3% compared to an increase of 5.7% in Fiscal 2014. The increase in sales was primarily driven by the addition of the Zale division which added \$1,215.6 million of sales, including purchase accounting adjustments related to deferred revenue associated with extended warranty sales. eCommerce sales were \$283.6 million, which included \$82.0 million of Zale eCommerce sales, compared to \$164.1 million in Fiscal 2014. The breakdown of Signet's sales performance is set out in the table below.

Table of Contents

Fiscal 2015	Change from previous year							
	Same store sales ⁽¹⁾	Non-same store sales, net ⁽²⁾	Total sales at constant exchange rate ⁽³⁾	Exchange translation impact ⁽³⁾	Total sales as reported	Total sales (in millions)		
Sterling Jewelers division	4.8	% 2.2	% 7.0	% —	% 7.0	% \$3,765.0		
Zale Jewelry	1.7	%				\$1,068.7		
Piercing Pagoda	0.2	%				\$146.9		
Zale division	1.5	%				\$1,215.6		
UK Jewelry division	5.3	% 0.4	% 5.7	% 2.8	% 8.5	% \$743.6		
Other ⁽⁵⁾	—	nm	nm	—	% nm	\$12.1		
Signet	4.1	% 31.6	% 35.7	% 0.6	% 36.3	% \$5,736.3		
Adjusted Signet ⁽³⁾						\$5,769.9		
Adjusted Signet excluding Zale ⁽³⁾						\$4,520.7		

(1) Based on stores open for at least 12 months. eCommerce sales are included in the calculation of same store sales for the period and comparative figures from the anniversary of the launch of the relevant website.

(2) Includes all sales from stores not open for 12 months.

(3) Non-GAAP measure, see Item 6.

(4) Same store sales presented for Zale division to provide comparative performance measures. Year-over-year results not applicable because Signet did not own Zale division in prior year.

(5) Includes sales from Signet's diamond sourcing initiative.

nm Not meaningful.

Sterling Jewelers sales

In Fiscal 2015, the Sterling Jewelers division's total sales were up 7.0% to \$3,765.0 million compared to \$3,517.6 million in Fiscal 2014, and same store sales increased by 4.8% compared to an increase of 5.2% in Fiscal 2014. Sales increases were driven by a combination of factors which drove results at Kay and Jared. These factors included sales associate execution, compelling merchandise, marketing, and credit. The average merchandise transaction value increased in Kay driven by particular strength in branded bridal as well as a decline in sales associated with lower average selling price units. The number of merchandise transactions increased in Kay due to branded bridal, branded fashion diamond collections and watches partially offset by a decline in units of lower average selling price points. In Jared, the average merchandise transaction value was relatively flat to prior year and the number of merchandise transactions increased. Strong branded and non-branded merchandise performance drove transactional increases in Jared. Branded differentiated and exclusive merchandise in Sterling Jewelers increased its participation by 120 basis points to 32.3% of Sterling Jeweler's merchandise sales.

Fiscal 2015	Changes from previous year				Total sales (in millions)
	Same store sales	Non-same store sales, net ⁽¹⁾	Total sales as reported	Total sales	
Kay	5.7	% 2.9	% 8.6	% \$2,346.2	
Jared ⁽²⁾	3.8	% 5.1	% 8.9	% \$1,188.8	
Regional brands	0.3	% (13.7)	)% (13.4	)% \$230.0
Sterling Jewelers division	4.8	% 2.2	% 7.0	% \$3,765.0	

(1) Includes all sales from stores not open or owned for 12 months.

(2) Includes 33 stores that were converted from regional brands, which consist of 31 Jared Vaults, which operate in outlet centers, and 2 Jared concept test stores. Reported sales in the prior year have been reclassified to align with current year presentation.

Average Merchandise Transaction Value ⁽¹⁾⁽²⁾	Merchandise Transactions
Average Value	Change from previous year

Fiscal 2015	Fiscal 2015	Fiscal 2014 ⁽³⁾	Fiscal 2015	Fiscal 2014 ⁽³⁾		Change from previous year		
						Fiscal 2015	Fiscal 2014 ⁽³⁾	
Kay	\$398	\$382	4.2%	3.5	%	2.1%	2.4	%
Jared	\$540	\$539	0.2%	(1.1)%		4.2%	6.3	%
Regional brands	\$407	\$400	1.8%	4.8	%	(1.3)%	(4.9)%	
Sterling Jewelers division	\$435	\$422	3.1%	2.4	%	2.4%	2.7	%

⁽¹⁾ Average merchandise transaction value is defined as net merchandise sales on a same store basis divided by the total number of customer transactions.

⁽²⁾ Net merchandise sales include all merchandise product sales, net of discounts and returns. In addition, excluded from net merchandise sales are sales tax in the US, repairs, warranty, insurance, employee and other miscellaneous sales.

⁽³⁾ The Fiscal 2014 average merchandise transaction value and merchandise transactions, including the change from previous year have been recalculated to conform to the current year presentation which is calculated on a same store sales basis.

Table of Contents

UK Jewelry sales

In Fiscal 2015, the UK Jewelry division's total sales were up 8.5% to \$743.6 million compared to \$685.6 million in Fiscal 2014 and up 5.7% at constant exchange rates; non-GAAP measure, see Item 6. Same store sales increased by 5.3% compared to an increase of 1.0% in Fiscal 2014. Sales performance in the UK Jewelry division was primarily driven by an increase in same store sales performance of the business in the fourth quarter. The UK Jewelry division experienced sales growth primarily in bridal and fashion diamond jewelry and fashion watches. The average merchandise transaction value increase in H.Samuel was driven by strong diamond and bridal sales with increases in the number of transactions influenced by higher bead, gold jewelry and watches. The average transaction value declined in Ernest Jones while the number of transactions increased over prior year. Transaction increases in Ernest Jones were driven by broad strength across the merchandise portfolio but with particular strength in fashion watches that also impacted the average transaction value.

Fiscal 2015	Change from previous year			Total sales at constant exchange rate ⁽²⁾	Exchange translation impact ⁽²⁾	Total sales as reported	Total sales (in millions)
	Same store sales	Non-same store sales, net ⁽¹⁾	%				
H.Samuel	3.9	% (0.9)	%	3.0	% 2.6	% 5.6	% \$ 389.6
Ernest Jones	7.0	% 1.8	%	8.8	% 3.0	% 11.8	% \$ 354.0
UK Jewelry division	5.3	% 0.4	%	5.7	% 2.8	% 8.5	% \$ 743.6

⁽¹⁾ Includes all sales from stores not open for 12 months.

⁽²⁾ Non-GAAP measure, see Item 6.

Fiscal 2015	Average Merchandise Transaction Value ⁽¹⁾⁽²⁾				Merchandise Transactions Change from previous year	
	Average Value		Change from previous year		Change from previous year	
	Fiscal 2015	Fiscal 2014 ⁽³⁾	Fiscal 2015	Fiscal 2014 ⁽³⁾	Fiscal 2015	Fiscal 2014 ⁽³⁾
H.Samuel	£74	£72	2.8%	0.0%	1.3%	0.2 %
Ernest Jones	£249	£259	(3.9)%	(7.1)%	10.9%	9.5 %
UK Jewelry division	£110	£109	0.9%	(0.9)%	3.2%	1.8 %

⁽¹⁾ Average merchandise transaction value is defined as net merchandise sales on a same store basis divided by the total number of customer transactions.

⁽²⁾ Net merchandise sales include all merchandise product sales, including value added tax ("VAT"), net of discounts and returns. In addition, excluded from net merchandise sales are repairs, warranty, insurance, employee and other miscellaneous sales.

⁽³⁾ The Fiscal 2014 average merchandise transaction value and merchandise transactions, including the change from previous year have been recalculated to conform to the current year presentation which is calculated on a same store sales basis.

Zale division sales

As Zale Corporation was acquired May 29, 2014, there is no comparable prior period. The Zale division's Fiscal 2015 sales were \$1,215.6 million. Zale Jewelry contributed \$1,068.7 million and Piercing Pagoda contributed \$146.9 million of revenues. Total Zale division sales included purchase accounting adjustments of \$(33.6) million related to a reduction of deferred revenue associated with extended warranty sales. Same store sales increased 1.5% driven in part by initial synergy initiatives surrounding sales associate training, merchandise assortment and new marketing creative. Merchandise sales were particularly strong in branded bridal and branded diamond fashion in the Zale Jewelry reportable segment. Branded differentiated and exclusive merchandise represented 30.5% of the Zale division's merchandise sales.

Fiscal 2015	Same store sales	Total sales (in millions)
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Zales	1.6	%	\$ 800.9
Gordon's	(2.8))%	\$ 62.3
Zale US Jewelry	1.3	%	\$ 863.2
Peoples	4.6	%	\$ 174.5
Mappins	(2.3))%	\$ 31.0
Zale Canada Jewelry	3.5	%	\$ 205.5
Total Zale Jewelry	1.7	%	\$ 1,068.7
Piercing Pagoda	0.2	%	\$ 146.9
Zale division ⁽¹⁾	1.5	%	\$ 1,215.6

⁽¹⁾ The Zale division same store sales reflect results since the date of acquisition and include merchandise and repair sales and excludes warranty and insurance revenues.

Table of Contents

Fourth quarter sales

In the fourth quarter, Signet's same store sales were up 4.2%, compared to an increase of 4.3% in the prior year fourth quarter, and total sales increased by 45.5% to \$2,276.4 million compared to \$1,564.0 million in the prior year fourth quarter. The increase in sales was primarily driven by the addition of the Zale division which added \$636.7 million of sales, including purchase accounting adjustments. eCommerce sales in the fourth quarter were \$149.6 million, which included \$54.8 million of Zale eCommerce sales, compared to \$79.0 million in the prior year fourth quarter. The breakdown of the sales performance is set out in the table below.

Fourth quarter of Fiscal 2015	Change from previous year		Total sales at constant exchange rate ⁽³⁾	Exchange translation impact ⁽³⁾	Total sales as reported	Total sales (in millions)
	Same store sales ⁽¹⁾	Non-same store sales, net ⁽²⁾				
Sterling Jewelers division	3.7	% 1.8	% 5.5	% —	% 5.5	% \$1,358.3
Zale Jewelry	3.8	%				\$564.6
Piercing Pagoda	2.7	%				\$72.1
Zale division ⁽⁴⁾	3.7	%				\$636.7
UK Jewelry division	7.5	% 0.2	% 7.7	% (5.6)	% 2.1	% \$278.0
Other ⁽⁵⁾	—	% nm	nm	—	% nm	\$3.4
Signet	4.2	% 42.7	% 46.9	% (1.4)	% 45.5	% \$2,276.4
Adjusted Signet ⁽³⁾						\$2,289.2
Adjusted Signet excluding Zale ⁽³⁾						\$1,639.7

⁽¹⁾ Based on stores open for at least 12 months. eCommerce sales are included in the calculation of same store sales for the period and comparative figures from the anniversary of the launch of the relevant website.

⁽²⁾ Includes all sales from stores not open for 12 months.

⁽³⁾ Non-GAAP measure, see Item 6.

⁽⁴⁾ Same store sales presented for Zale division to provide comparative performance measures. Year-over-year results not applicable because Signet did not own Zale division in prior year.

⁽⁵⁾ Includes sales from Signet's diamond sourcing initiative.

nm not meaningful.

Sterling Jewelers sales

In the fourth quarter, the Sterling Jewelers division's total sales were \$1,358.3 million compared to \$1,288.0 million in the prior year fourth quarter, up 5.5% and same store sales increased 3.7%, compared to an increase of 4.0% in the prior year fourth quarter. Sales increases in the fourth quarter were driven by a combination of factors which drove results at Kay and Jared. These factors included sales team execution, compelling merchandise, marketing, and credit. The average merchandise transaction value increased in Kay driven by particular strength in bridal as well as a decline in sales associated with lower average selling price units. The number of merchandise transactions declined in Kay primarily due to a decline in units of lower average selling price points. In Jared, the average merchandise transaction value increased due to strong branded and non-branded merchandise performance. The number of merchandise transactions was relatively flat to prior year due to a decline in sales associated with lower average selling price units.

Fourth quarter of Fiscal 2015	Change from previous year		Total sales as reported	Total sales (in millions)
	Same store sales	Non-same store sales, net ⁽¹⁾		
Kay	4.6	% 2.4	% 7.0	% \$862.8
Jared ⁽²⁾	2.6	% 3.6	% 6.2	% \$416.7
Regional brands	0.0	% (11.7)	% (11.7)	% \$78.8
Sterling Jewelers division	3.7	% 1.8	% 5.5	% \$1,358.3

⁽¹⁾ Includes all sales from stores not open or owned for 12 months.

⁽²⁾ Includes 33 stores that were converted from regional brands, which consist of 31 Jared Vaults, which operate in outlet centers, and 2 Jared concept test stores. Reported sales in the prior year have been reclassified to align with current year presentation.

Table of Contents

Fourth quarter of Fiscal 2015	Average Merchandise Transaction Value				Merchandise Transactions		
	Average Value		Change from previous year		Change from previous year		
	Fiscal 2015	Fiscal 2014 ⁽³⁾	Fiscal 2015	Fiscal 2014 ⁽³⁾	Fiscal 2015	Fiscal 2014 ⁽³⁾	
Kay	\$364	\$344	5.8%	2.4	% (1.6)%	1.2	%
Jared	\$495	\$484	2.3%	(4.2)%	0.1%	9.0	%
Regional brands	\$369	\$366	0.8%	6.8	% (2.2)%	(4.5)%	
Sterling Jewelers division	\$397	\$380	4.5%	1.1	% (1.2)%	2.6	%

(1) Average merchandise transaction value is defined as net merchandise sales on a same store basis divided by the total number of customer transactions.

(2) Net merchandise sales include all merchandise product sales, net of discounts and returns. In addition, excluded from net merchandise sales are sales tax in the US, repairs, warranty, insurance, employee and other miscellaneous sales.

(3) The Fiscal 2014 average merchandise transaction value and merchandise transactions, including the change from previous year have been recalculated to conform to the current year presentation which is calculated on a same store sales basis.

UK Jewelry sales

In the fourth quarter, the UK Jewelry division's total sales were up by 2.1% to \$278.0 million compared to \$272.2 million in the prior year fourth quarter and up 7.7% at constant exchange rates; non-GAAP measure, see Item 6. Same store sales increased 7.5% compared to an increase of 5.7% in the prior year fourth quarter. Sales performance in the fourth quarter was primarily driven by branded bridal, fashion diamond jewelry and fashion watches. The average merchandise transaction value increase in H.Samuel was driven by strong diamond and bridal sales with a slight decline in the number of transactions. The average transaction value declined slightly in Ernest Jones while the number of transactions increased over prior year period. Transaction increases in Ernest Jones were driven by broad strength across the merchandise portfolio but with particular strength in fashion watches that also impacted the average transaction value.

Fourth quarter of Fiscal 2015	Change from previous year					
	Same store sales	Non-same store sales, net ⁽¹⁾	Total sales at constant exchange rate ⁽²⁾	Exchange translation impact ⁽²⁾	Total sales as reported	Total sales (in millions)
H.Samuel	6.0	% (0.3)%	5.7	% (5.3)%	0.4	% \$152.1
Ernest Jones ⁽³⁾	9.3	% 0.8 %	10.1	% (5.8)%	4.3	% \$125.9
UK Jewelry division	7.5	% 0.2 %	7.7	% (5.6)%	2.1	% \$278.0

(1) Includes all sales from stores not open for 12 months.

(2) Non-GAAP measure, see Item 6.

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

Fourth quarter of Fiscal 2015	Average Merchandise Transaction Value ⁽¹⁾				Merchandise Transactions		
	Average Value		Change from previous year		Change from previous year		
	Fiscal 2015	Fiscal 2014 ⁽⁴⁾	Fiscal 2015	Fiscal 2014 ⁽⁴⁾	Fiscal 2015	Fiscal 2014 ⁽⁴⁾	
H.Samuel	£74	£69	7.2%	0.0	% (0.8)%	3.6	%
Ernest Jones ⁽³⁾	£230	£231	(0.4)%	(2.5)%	11.6%	9.3	%
UK Jewelry division	£107	£100	7.0%	0.0	% 1.6%	4.6	%

- (1) Average merchandise transaction value is defined as net merchandise sales on a same store basis divided by the total number of customer transactions.
- (2) Net merchandise sales include all merchandise product sales, including value added tax (“VAT”), net of discounts and returns. In addition, excluded from net merchandise sales are repairs, warranty, insurance, employee and other miscellaneous sales.
- (3) Includes stores selling under the Leslie Davis nameplate.
- (4) The Fiscal 2014 average merchandise transaction value and merchandise transactions, including the change from previous year have been recalculated to conform to the current year presentation which is calculated on a same store sales basis.

Zale sales

As Zale Corporation was acquired May 29, 2014, there is no comparable period presented. The Zale division's fourth quarter sales were \$636.7 million. Zale Jewelry contributed \$564.6 million and Piercing Pagoda contributed \$72.1 million of revenues. Total Zale division sales included purchase accounting adjustments of \$(12.8) million related to a reduction of deferred revenue associated with extended warranty sales. Same store sales increased 3.7% driven in part by initial synergy initiatives surrounding sales associate training, merchandise assortment and new marketing creative. Merchandise sales were particularly strong in branded bridal and branded diamond fashion in the Zale Jewelry reportable segment. Total Zale division sales were driven by branded sales in bridal and fashion in the Zale Jewelry reportable segment.

Table of Contents

Fourth quarter of Fiscal 2015	Same store sales	Total sales (in millions)
Zales	3.7	% \$ 427.1
Gordon's	(2.3	)% \$ 32.1
Zale US Jewelry	3.2	% \$ 459.2
Peoples	7.1	% \$ 90.0
Mappins	3.5	% \$ 15.4
Zale Canada Jewelry	6.6	% \$ 105.4
Total Zale Jewelry	3.8	% \$ 564.6
Piercing Pagoda	2.7	% \$ 72.1
Zale division ⁽¹⁾	3.7	% \$ 636.7

(1) The Zale division same store sales includes merchandise and repair sales and excludes warranty and insurance revenues.

Cost of sales and gross margin

In Fiscal 2015, gross margin was \$2,074.2 million or 36.2% of sales compared to \$1,580.5 million or 37.5% of sales in Fiscal 2014. Adjusted gross margin was \$2,131.5 million or 36.9% of adjusted sales (non-GAAP measure, see Item 6). The decrease in the adjusted gross margin rate from prior year of 60 basis points was due to the lower gross margins associated with the Zale division which reduced Signet's adjusted gross margin rate by 70 basis points. Zale operates with a lower gross margin structure than Sterling Jewelers and represents an area of focus on applying best practices for improvement. The impact of Zale on Signet's adjusted gross margin rate was partially offset by a higher gross margin rate in the Sterling Jewelers division.

The Sterling Jewelers division gross margin dollars increased \$107.5 million compared to Fiscal 2014, reflecting increased sales and a gross margin rate improvement of 30 basis points. The gross margin rate expansion was driven by an improvement in the merchandise margin, leverage on store occupancy expenses from higher sales as well as favorable commodity costs.

In the UK Jewelry division, gross margin dollars increased \$15.5 million compared to Fiscal 2014, reflecting higher sales partially offset by a gross margin rate decrease of 30 basis points. The increase in gross margin dollars was driven by higher sales which leveraged store occupancy and distribution costs. The gross margin rate decline was driven principally by a lower merchandise margin, as the division strategically realigned assortments and prices to better drive sales and gross margin dollars.

In the fourth quarter, the consolidated gross margin was \$912.1 million or 40.1% of sales compared to \$648.8 million or 41.5% of sales in the prior year fourth quarter. Adjusted gross margin was \$936.9 million or 40.9% of adjusted sales (non-GAAP measure, see Item 6). The decrease in the adjusted gross margin rate from prior year of 60 basis points was due to the lower gross margins associated with the Zale division which reduced Signet's adjusted gross margin rate by 110 basis points. The impact of Zale on Signet's adjusted gross margin rate was partially offset by a higher gross margin rate in the Sterling Jewelers division.

Gross margin dollars in the Sterling Jewelers division increased \$38.8 million compared to the prior year fourth quarter, reflecting higher sales and a gross margin rate increase of 70 basis points. The gross margin rate expansion was driven by an improvement in the merchandise margin, leverage on store occupancy expenses from higher sales as well as favorable commodity costs.

In the UK Jewelry division, gross margin dollars increased \$1.6 million compared to Fiscal 2014, reflecting higher sales partially offset by a gross margin rate decrease of 20 basis points. As with the full year, the fourth quarter increase in gross margin dollars was driven by higher sales which leveraged store occupancy and distribution costs. The gross margin rate decline was driven principally by a lower merchandise margin, as the division strategically realigned assortments and prices to better drive sales and gross margin dollars.

Selling, general and administrative expenses ("SGA")

Selling, general and administrative expenses for Fiscal 2015 were \$1,712.9 million or 29.9% of sales compared to \$1,196.7 million or 28.4% of sales in Fiscal 2014, up \$516.2 million. The increase was primarily due to the addition

of Zale in the current year. In addition, included in SGA were purchase accounting adjustments, severance, and transaction-related costs of \$48.4 million, or 0.8% of sales. Adjusted SGA was \$1,664.5 million or 28.8% of adjusted sales (non-GAAP measure, see Item 6). The 40 basis points increase in the adjusted SGA rate compared to the prior year comparable period was driven primarily by the Zale division which unfavorably affected Signet's adjusted SGA rate by 60 basis points. In both Sterling Jewelers and UK Jewelry divisions, SGA in total and expenses associated with store staff costs were leveraged due to higher sales.

In the fourth quarter, SGA expense was \$634.5 million or 27.9% of sales compared to \$425.8 million or 27.2% of sales in the prior year fourth quarter. The increase was primarily due to the addition of Zale in the current year. In addition, included in SGA were purchase accounting adjustments and transaction-related costs of \$5.2 million, or 0.2% of sales. Adjusted SGA was \$629.3 million or 27.5% of adjusted sales. The 30 basis points increase in the adjusted SGA rate compared to the prior year comparable period was driven primarily by the the Zale division which unfavorably affected Signet's adjusted SGA rate by 70 basis points. In both Sterling Jewelers and UK Jewelry divisions, higher sales leveraged SGA.

Table of Contents

Other operating income, net

In Fiscal 2015, other operating income was \$215.3 million or 3.7% of sales compared to \$186.7 million or 4.4% of sales in Fiscal 2014. This increase was primarily due to higher interest income earned from higher outstanding receivable balances.

Other operating income in the fourth quarter was \$54.1 million or 2.4% of sales compared to \$47.6 million or 3.0% of sales in the prior year fourth quarter. This increase was also primarily due to higher interest income earned from higher outstanding receivable balances.

Operating income

In Fiscal 2015, operating income was \$576.6 million or 10.0% of sales compared to \$570.5 million or 13.5% of sales in Fiscal 2014. Included in operating income were purchase accounting adjustments, severance and transaction costs of \$105.7 million or (1.8)% of sales. Adjusted operating income was \$682.3 million or 11.8% of adjusted sales (non-GAAP measure, see Item 6). The Zale division operating income was \$37.7 million or 3.0% of Zale division sales excluding purchase accounting adjustments. Excluding Zale operations, operating income would have been \$644.6 million or 14.3% of sales (non-GAAP measure, see Item 6).

	Fiscal 2015		Fiscal 2014		
	\$ (in millions)	% of divisional sales	\$ (in millions)	% of divisional sales	
Sterling Jewelers division	\$624.3	16.6	% \$553.2	15.7	%
UK Jewelry division	52.2	7.0	% 42.4	6.2	%
Zale division ⁽¹⁾	(8.2	) (0.7	)% n/a	n/a	
Other ⁽²⁾	(91.7	) nm	(25.1	) nm	
Operating income	\$576.6	10.0	% \$570.5	13.5	%

(1) Zale division includes net operating loss impact of \$45.9 million for purchase accounting adjustments. Excluding the impact from accounting adjustments, Zale division's operating income was \$37.7 million or 3.0% of sales. The Zale division operating loss included \$1.9 million from Zale Jewelry or (0.2)% of sales and \$6.3 million from Piercing Pagoda or (4.3)% of sales.

(2) Other includes \$59.8 million of transaction-related and integration expense as well as severance-related costs. Transaction costs include expenses associated with advisor fees for legal, tax, accounting and consulting expenses. nm Not meaningful.

n/a Not applicable as Zale division was acquired on May 29, 2014.

In the fourth quarter, operating income was \$331.7 million or 14.6% of sales compared to \$270.6 million or 17.3% of sales in prior year fourth quarter. Included in operating income were purchase accounting adjustments and transaction costs of \$30.0 million or 1.3% of sales. Adjusted operating income was \$361.7 million or 15.8% of adjusted sales (non-GAAP measure, see Item 6). The Zale division operating income was \$56.9 million or 8.7% of Zale division sales excluding purchase accounting adjustments. Excluding Zale operations, operating income would have been \$304.8 million or 18.6% of sales.

	Fourth Quarter Fiscal 2015		Fourth Quarter Fiscal 2014		
	\$ (in millions)	% of divisional sales	\$ (in millions)	% of divisional sales	
Sterling Jewelers division	\$260.0	19.1	% \$227.9	17.7	%
UK Jewelry division	53.8	19.4	% 51.7	19.0	%
Zale division ⁽¹⁾	36.1	5.7	% n/a	n/a	
Other ⁽²⁾	(18.2	) nm	(9.0	) nm	
Operating income	\$331.7	14.6	% \$270.6	17.3	%

(1) Zale division includes net operating loss impact of \$20.8 million for purchase accounting adjustments. Excluding the impact from accounting adjustments, Zale division's operating income was \$56.9 million or 8.7% of sales. The Zale division operating income included \$32.8 million from Zale Jewelry or 5.8% of sales and \$3.3 million from Piercing Pagoda or 4.6% of sales.

(2) Other includes \$9.2 million of transaction-related and integration expense as well as severance-related costs. Transaction costs include expenses associated with advisor fees for legal, tax, accounting and consulting expenses.
nm Not meaningful
n/a Not applicable as Zale division was acquired on May 29, 2014.

Table of Contents

Interest expense, net

In Fiscal 2015, net interest expense was \$36.0 million compared to \$4.0 million in Fiscal 2014. The increase in interest expense was driven by the addition of \$1.4 billion of debt financing at a weighted average interest rate of 2.4% related to the Zale acquisition. Included in interest expense was a write-off of fees of \$3.2 million related to the \$800 million bridge facility that was subsequently replaced with permanent financing instruments as well as \$0.7 million associated with the previous credit facility.

In the fourth quarter, net interest expense was \$7.9 million compared to \$1.2 million in the prior year fourth quarter driven by the \$1.4 billion of debt.

Income before income taxes

For Fiscal 2015, income before income taxes was down 4.6% to \$540.6 million or 9.4% of sales compared to \$566.5 million or 13.4% of sales in Fiscal 2014.

For the fourth quarter, income before income taxes was up 20.2% to \$323.8 million or 14.2% of sales compared to \$269.4 million or 17.2% of sales in the prior year fourth quarter.

Income taxes

Income tax expense for Fiscal 2015 was \$159.3 million compared to \$198.5 million in Fiscal 2014, with an effective tax rate of 29.5% for Fiscal 2015 compared to 35.0% in Fiscal 2014. This reduction of 550 basis points in Signet's effective tax rate primarily reflects the benefit of Signet's amended capital structure and financing arrangements utilized to fund the acquisition of Zale Corporation.

In the fourth quarter, income tax expense was \$95.8 million compared to \$94.2 million in the prior year fourth quarter. The fourth quarter effective tax rate was 29.6% compared to 35.0% in the prior year fourth quarter also driven principally by factors around the Zale acquisition.

Net income

Net income for Fiscal 2015 was up 3.6% to \$381.3 million or 6.6% of sales compared to \$368.0 million or 8.7% of sales in Fiscal 2014.

For the fourth quarter, net income was up 30.1% to \$228.0 million or 10.0% of sales compared to \$175.2 million or 11.2% of sales in the prior year fourth quarter.

Earnings per share

For Fiscal 2015, diluted earnings per share were \$4.75 compared to \$4.56 in Fiscal 2014, an increase of 4.2%.

Adjusted diluted earnings per share were \$5.63, which included a contribution of \$0.27 per share related to the Zale division and a contribution of \$0.12 per share related to Signet's capital structure, net of incremental financing expense (non-GAAP measure, see Item 6). The weighted average diluted number of common shares outstanding was 80.2 million compared to 80.7 million in Fiscal 2014. Signet repurchased 288,393 shares in Fiscal 2015 compared to 1,557,673 shares in Fiscal 2014.

For the fourth quarter, diluted earnings per share were \$2.84 compared to \$2.18 in the prior year fourth quarter, up 30.3%. Adjusted diluted earnings per share were \$3.06, which included a contribution of \$0.43 per share related to the Zale division and a contribution of \$0.15 per share related to Signet's capital structure, net of incremental financing expense (non-GAAP measure, see Item 6). The weighted average diluted number of common shares outstanding was 80.2 million compared to 80.3 million in the prior year fourth quarter.

Dividends per share

In Fiscal 2015, dividends of \$0.72 were approved by the Board of Directors compared to \$0.60 in Fiscal 2014.

COMPARISON OF FISCAL 2014 TO FISCAL 2013

Summary of Fiscal 2014

• Total sales: up 5.7% to \$4,209.2 million

• Same store sales: up 4.4%

• Operating income: up 1.8% to \$570.5 million

• Operating margin: decreased to 13.5%, down 60 basis points

• Diluted earnings per share: up 4.8% to \$4.56

In Fiscal 2014, Signet's same store sales increased by 4.4%, compared to an increase of 3.3% in Fiscal 2013. Total sales were \$4,209.2 million compared to \$3,983.4 million in Fiscal 2013, up \$225.8 million or 5.7% compared to an

increase of 6.2% in Fiscal 2013. eCommerce sales were \$164.1 million compared to \$129.8 million in Fiscal 2012, up \$34.3 million or 26.4%. The breakdown of the sales performance is set out in the table below.

57

Table of Contents

Fiscal 2014	Change from previous year			Total sales at constant exchange rate ⁽³⁾	Exchange translation impact ⁽³⁾	Total sales as reported	Total sales (in millions)
	Same store sales ⁽¹⁾	Non-same store sales, net ⁽¹⁾⁽²⁾	Impact of 53 rd week ⁽¹⁾				
Sterling Jewelers division	5.2	% 3.7	% (1.5)%	7.4	% —	7.4	% \$3,517.6
UK Jewelry division	1.0	% (1.9)%	(1.9)%	(2.8)%	(0.6)%	(3.4)%	\$685.6
Other ⁽⁴⁾	—	nm	—	nm	—	nm	\$6.0
Signet	4.4	% 2.9	% (1.5)%	5.8	% (0.1)%	5.7	% \$4,209.2

The 53rd week in Fiscal 2013 resulted in a shift in Fiscal 2014, as the fiscal year began a week later than the

(1) previous fiscal year. As such, same store sales are calculated by aligning the weeks of the year to the same weeks in the prior year. Total reported sales are calculated based on the reported fiscal periods.

(2) Includes all sales from stores not open or owned for 12 months.

(3) Non-GAAP measure, see Item 6.

(4) Includes sales from Signet's diamond sourcing initiative.

nm Not meaningful as Fiscal 2014 is the first year of sales.

Sterling Jewelers sales

In Fiscal 2014, the Sterling Jewelers division's sales were \$3,517.6 million compared to \$3,273.9 million in Fiscal 2013, up \$243.7 million or 7.4%, and same store sales increased by 5.2% compared to an increase of 4.0% in Fiscal 2013. eCommerce sales were \$129.0 million compared to \$101.4 million in Fiscal 2013, up \$27.6 million or 27.2%. See the table below for analysis of sales growth.

Fiscal 2014	Change from previous year			Total sales reported	Total sales (in millions)
	Same store sales ⁽¹⁾	Non-same store sales, net ⁽¹⁾⁽²⁾	Impact of 53 rd week ⁽¹⁾		
Kay ⁽³⁾	6.5	% 4.0	% (1.5)%	9.0	% \$ 2,157.8
Jared	4.7	% 3.0	% (1.6)%	6.1	% \$ 1,064.7
Regional brands ⁽⁴⁾	(2.4)%	4.7	% (1.1)%	1.2	% \$ 295.1
Sterling Jewelers division	5.2	% 3.7	% (1.5)%	7.4	% \$ 3,517.6

The 53rd week in Fiscal 2013 resulted in a shift in Fiscal 2014, as the fiscal year began a week later than the

(1) previous fiscal year. As such, same store sales are calculated by aligning the weeks of the year to the same weeks in the prior year. Total reported sales are calculated based on the reported fiscal periods.

(2) Includes all sales from stores not open or owned for 12 months.

(3) Includes 65 Ultra stores converted to the Kay brand in Fiscal 2014.

(4) Includes the remaining 30 Ultra stores not converted to the Kay brand in 2014.

Fiscal 2014	Average Merchandise Transaction Value ⁽¹⁾⁽²⁾				Merchandise Transactions ⁽¹⁾		
	Average Value		Change from previous year		Change from previous year		
	Fiscal 2014	Fiscal 2013	Fiscal 2014	Fiscal 2013	Fiscal 2014	Fiscal 2013	
Kay ⁽³⁾	\$381	\$368	3.5%	3.1	% 2.4%	1.6	%
Jared	\$538	\$544	(1.1)%	(1.8)%	6.3%	1.9	%
Regional brands ⁽⁴⁾	\$396	\$378	4.8%	0.5	% (4.9)%	(6.1)%	
Sterling Jewelers division	\$421	\$411	2.4%	1.2	% 2.7%	0.9%	

(1) Average merchandise transaction value is defined as net merchandise sales divided by the total number of customer transactions. The average merchandise transaction value and merchandise transactions, including the change from previous year have been recalculated to conform to the current year presentation which is calculated

on a same store sales basis.

Net merchandise sales include all merchandise product sales, net of discounts and returns. In addition, excluded (2) from net merchandise sales are sales tax in the US, repairs, warranty, insurance, employee and other miscellaneous sales.

(3) Fiscal 2014 includes Ultra transaction data beginning in June 2013, when the Ultra integration was completed. Fiscal 2013 excludes Ultra transaction data as the integration was not yet completed.

Sales increases in the Sterling Jewelers division for Fiscal 2014 were driven by a variety of merchandise categories in both Kay and Jared, as well as the inclusion of Ultra for a full year, which added an additional \$91.3 million of sales. The number of merchandise transactions increased in both Kay and Jared while the average merchandise transaction value increased in Kay and declined slightly in Jared primarily due to changes in sales mix. Branded differentiated and exclusive merchandise increased its participation by 370 basis points to 31.1% of the Sterling Jewelers division's merchandise sales. This was primarily driven by higher sales of Artistry Diamonds[®], Jared Vivid[®] Diamonds, Le Vian[®], Neil Lane

Table of Contents

Bridal® and Neil Lane Designs®, Tolokowsky® Diamond and Shades of Wonder®. By category, bridal, colored diamonds, fashion jewelry, beads and watches all performed well.

UK Jewelry sales

In Fiscal 2014, the UK Jewelry division's sales were down by 3.4% to \$685.6 million compared to \$709.5 million in Fiscal 2013, and down 2.8% at constant exchange rates; non-GAAP measure, see Item 6. Same store sales increased by 1.0% compared to an increase of 0.3% in Fiscal 2013. eCommerce sales were \$35.1 million compared to \$28.4 million in Fiscal 2013, up \$6.7 million or 23.6%. See the table below for further analysis of sales.

Change from previous year

Fiscal 2014	Same store sales (1)	Non-same store sales, net (1)(2)	Impact of 53 rd week (1)	Total sales at constant exchange rate (3)	Exchange translation impact (3)	Total sales as reported	Total sales (in millions)
H.Samuel	(0.3)%	(2.1)%	(1.8)%	(4.2)%	(0.5)%	(4.7)%	368.9
Ernest Jones (4)	2.6%	(1.7)%	(2.0)%	(1.1)%	(0.7)%	(1.8)%	316.7
UK Jewelry division	1.0%	(1.9)%	(1.9)%	(2.8)%	(0.6)%	(3.4)%	685.6

The 53rd week in Fiscal 2013 resulted in a shift in Fiscal 2014, as the fiscal year began a week later than the (1) previous fiscal year. As such, same store sales are calculated by aligning the weeks of the year to the same weeks in the prior year. Total reported sales are calculated based on the reported fiscal periods.

(2) Includes all sales from stores not open for 12 months.

(3) Non-GAAP measure, see Item 6.

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

Fiscal 2014	Average Merchandise Transaction Value ⁽¹⁾⁽²⁾				Merchandise Transactions ⁽¹⁾	
	Average Value	Change from previous year	Average Value	Change from previous year	Change from previous year	Change from previous year
Fiscal 2014	Fiscal 2014	Fiscal 2013	Fiscal 2014	Fiscal 2013	Fiscal 2014	Fiscal 2013
H.Samuel	£72	£ 72	0.0%	1.4%	0.2%	(2.0)%
Ernest Jones (3)	£260	£ 280	(7.1)%	3.4%	9.5%	(1.3)%
UK Jewelry division	£107	£ 108	(0.9)%	1.9%	1.8%	(1.9)%

Average merchandise transaction value is defined as net merchandise sales divided by the total number of customer transactions. The average merchandise transaction value and merchandise transactions, including the (1) change from previous year have been recalculated to conform to the current year presentation which is calculated on a same store sales basis.

Net merchandise sales include all merchandise product sales, including value added tax ("VAT"), net of discounts (2) and returns. In addition, excluded from net merchandise sales are repairs, warranty, insurance, employee and other miscellaneous sales.

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

Sales performance in the UK Jewelry division was primarily driven by an increase in same store sales performance of the business in the fourth quarter. The UK Jewelry division experienced sales growth primarily in bridal and fashion diamond jewelry, fashion watches, as well as prestige watches, exclusive of Rolex, which is being offered in fewer stores in Fiscal 2014. Average merchandise transaction value was consistent with the prior year comparable period in H.Samuel and declined slightly in Ernest Jones primarily due to sales mix. The number of merchandise transactions increased in Ernest Jones due primarily to increased focus on the bridal business and sales mix in watches and was relatively flat in H.Samuel.

Fourth quarter sales

In the fourth quarter, Signet's same store sales were up 4.3%, compared to an increase of 3.5% in the prior year fourth quarter, and total sales increased by 3.4% to \$1,564.0 million compared to \$1,513.3 million in the prior year fourth quarter, an increase of 11.8% in the prior year fourth quarter. eCommerce sales in the fourth quarter were \$79.0 million compared to \$63.9 million in the prior year fourth quarter, up \$15.1 million or 23.6%. The breakdown of the

sales performance is set out in the table below.

59

Table of Contents

Fourth quarter of Fiscal 2014	Change from previous year							
	Same store sales ⁽¹⁾	Non-same store sales, net ⁽¹⁾⁽²⁾	Impact of 14 th week ⁽¹⁾	Total sales at constant exchange rate ⁽³⁾	Exchange translation impact ⁽³⁾	Total sales as reported	Total sales (millions)	
Sterling Jewelers division	4.0	% 3.2	% (3.7)%	3.5	% —	3.5	% \$1,288.0	
UK Jewelry division	5.7	% (1.1)%	(5.1)%	(0.5)%	1.9	% 1.4	% \$272.2	
Other ⁽⁴⁾	—	nm	—	nm	—	nm	\$3.8	
Signet	4.3	% 2.7	% (4.0)%	3.0	% 0.4	% 3.4	% \$1,564.0	

(1) As the fourth quarter in Fiscal 2013 included 14 weeks, this resulted in a shift in Fiscal 2014, as the fiscal year began a week later than the previous fiscal year. As such, same store sales are calculated by aligning the weeks of the quarter to the same weeks in the prior year. Total reported sales are calculated based on the reported fiscal periods.

(2) Includes all sales from stores not open or owned for 12 months.

(3) Non-GAAP measure, see Item 6.

(4) Includes sales from Signet's diamond sourcing initiative.

nm Not meaningful as Fiscal 2014 is the first year of sales.

Sterling Jewelers sales

In the fourth quarter, the Sterling Jewelers division's sales were \$1,288.0 million compared to \$1,244.9 million in the prior year fourth quarter, up 3.5%, and same store sales increased 4.0% compared to an increase of 4.9% in the prior year fourth quarter. eCommerce sales for the fourth quarter were \$61.9 million compared to \$51.0 million in the prior year fourth quarter, up \$10.9 million or 21.4%. See the table below for further analysis of sales.

Fourth quarter of Fiscal 2014	Change from previous year					
	Same store sales ⁽¹⁾	Non-same store sales, net ⁽¹⁾⁽²⁾	Impact of 14 th week ⁽¹⁾	Total sales as reported	Total sales (in millions)	
Kay ⁽³⁾	4.9	% 3.3	% (3.6)%	4.6	% \$ 805.9	
Jared	4.1	% 6.9	% (4.5)%	6.5	% \$ 382.7	
Regional brands ⁽⁴⁾	(3.1)%	(7.8)%	(2.6)%	(13.5)%	\$ 99.4	
Sterling Jewelers division	4.0	% 3.2	% (3.7)%	3.5	% \$ 1,288.0	

(1) As the fourth quarter in Fiscal 2013 included 14 weeks, this has resulted in a shift in Fiscal 2014, as the fiscal year began a week later than the previous fiscal year. As such, same store sales are being calculated by aligning the weeks of the quarter to the same weeks in the prior year. Total reported sales are calculated based on the reported fiscal periods.

(2) Includes all sales from stores not open or owned for 12 months.

(3) Includes 65 Ultra stores converted to the Kay brand in Fiscal 2014.

(4) Includes the remaining 30 Ultra stores not converted to the Kay brand in 2014.

Fourth quarter of Fiscal 2014	Average Merchandise Transaction Value ⁽¹⁾⁽²⁾				Merchandise Transactions ⁽¹⁾	
	Average Value		Change from previous year		Change from previous year	
	Fiscal 2014	Fiscal 2013	Fiscal 2014	Fiscal 2013	Fiscal 2014	Fiscal 2013
Kay	\$343	\$335	2.4	% 3.7	% 1.2	% (1.4)%
Jared	\$480	\$501	(4.2)%	(3.1)%	% 9.0	% 6.0
Regional brands ⁽³⁾	\$362	\$339	6.8	% (0.6)%	(4.5)%	(8.8)%
Sterling Jewelers division	\$377	\$373	1.1	% 1.9	% 2.6	% (0.5)%

(1) Average merchandise transaction value is defined as net merchandise sales divided by the total number of customer transactions. The average merchandise transaction value and merchandise transactions, including the change from previous year have been recalculated to conform to the current year presentation which is calculated

on a same store sales basis.

Net merchandise sales include all merchandise product sales, net of discounts and returns. In addition, excluded (2) from net merchandise sales are sales tax in the US, repairs, warranty, insurance, employee and other miscellaneous sales.

(3) The fourth quarter of Fiscal 2014 includes Ultra transaction data while the fourth quarter of Fiscal 2013 excludes Ultra transaction data, as the integration was not yet completed.

Sterling Jewelers sales increases in the fourth quarter were driven by a variety of merchandise categories. By category, bridal, colored diamonds, fashion jewelry, beads and watches all performed well. The number of merchandise transactions increased in both Kay and Jared. Average merchandise transaction value increased in Kay primarily due to higher sales in branded merchandise. Average merchandise transaction value declined in Jared driven primarily by sales mix primarily due to higher bead sales.

Table of Contents

UK Jewelry sales

In the fourth quarter, the UK Jewelry division's sales were up by 1.4% to \$272.2 million compared to \$268.4 million in the prior year fourth quarter and down 0.5% at constant exchange rates; non-GAAP measure, see Item 6. Same store sales increased 5.7% compared to a decrease of 1.9% in the prior year fourth quarter. eCommerce sales for the fourth quarter were \$17.1 million compared to \$12.9 million in the prior year fourth quarter.