

SIGNET JEWELERS LTD
Form 10-Q
November 26, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended November 2, 2013 or**

**Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the transition period from to**

Commission File Number 1-32349

Signet Jewelers Limited

(Exact name of Registrant as specified in its charter)

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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 of principal executive offices)

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 such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

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 Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Common Stock, \$0.18 par value, 80,215,448 shares as of November 20, 2013

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SIGNET JEWELERS LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENTS

(Unaudited)

| <i>(in millions, except per share amounts)</i> | 13 weeks ended | | 39 weeks ended | | Notes |
|---|---------------------|---------------------|---------------------|---------------------|-------|
| | November 2, 2013 | October 27, 2012 | November 2, 2013 | October 27, 2012 | |
| Sales | \$ 771.4 | \$ 716.2 | \$ 2,645.2 | \$ 2,470.1 | 2 |
| Cost of sales | (532.2) | (480.8) | (1,713.5) | (1,569.8) | |
| Gross margin | 239.2 | 235.4 | 931.7 | 900.3 | |
| Selling, general and administrative expenses | (233.4) | (222.6) | (770.9) | (727.4) | |
| Other operating income, net | 45.8 | 39.7 | 139.1 | 119.9 | |
| Operating income | 51.6 | 52.5 | 299.9 | 292.8 | 2 |
| Interest expense, net | (0.9) | (0.9) | (2.8) | (2.5) | |
| Income before income taxes | 50.7 | 51.6 | 297.1 | 290.3 | |
| Income taxes | (17.1) | (16.7) | (104.3) | (102.2) | 4 |
| Net income | \$ 33.6 | \$ 34.9 | \$ 192.8 | \$ 188.1 | |
| Earnings per share: basic | \$ 0.42 | \$ 0.43 | \$ 2.40 | \$ 2.27 | 5 |
| diluted | \$ 0.42 | \$ 0.43 | \$ 2.39 | \$ 2.26 | 5 |
| Weighted average common shares outstanding: basic | 79.9 | 80.5 | 80.4 | 82.9 | 5 |
| diluted | 80.3 | 80.9 | 80.8 | 83.4 | 5 |
| Dividends declared per share | \$ 0.15 | \$ 0.12 | \$ 0.45 | \$ 0.36 | 6 |

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

Table of Contents**SIGNET JEWELERS LIMITED****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)**

| <i>(in millions)</i> | 13 weeks ended | | 39 weeks ended | |
|---|---------------------|---------------------|---------------------|---------------------|
| | November 2, 2013 | October 27, 2012 | November 2, 2013 | October 27, 2012 |
| Net income | \$ 33.6 | \$ 34.9 | \$ 192.8 | \$ 188.1 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments | 10.5 | 4.5 | 3.5 | 6.4 |
| Derivative instruments qualifying as cash flow hedges: | | | | |
| Unrealized (loss) gain, net of tax of \$(0.3) and \$(9.6), respectively (October 27, 2012: \$2.8 and \$(2.3), respectively) | (1.5) | 4.0 | (18.3) | (5.0) |
| Reclassification adjustment for losses (gains) to net income, net of tax of \$0.8 and \$0.5, respectively (October 27, 2012: \$(1.3) and \$(6.3), respectively) | 1.3 | (1.6) | 0.6 | (11.1) |
| Pension plan: | | | | |
| Reclassification adjustment to net income for amortization of actuarial loss, net of tax of \$0.2 and \$0.4, respectively (October 27, 2012: \$0.2 and \$0.5, respectively) | 0.4 | 0.8 | 1.3 | 2.4 |
| Reclassification adjustment to net income for amortization of net prior service credit, net of tax of \$(0.2) and \$(0.3), respectively (October 27, 2012: \$(0.1) and \$(0.2), respectively) | (0.2) | (0.4) | (0.8) | (1.2) |
| Total other comprehensive income (loss) | 10.5 | 7.3 | (13.7) | (8.5) |
| Comprehensive income | \$ 44.1 | \$ 42.2 | \$ 179.1 | \$ 179.6 |

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

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SIGNET JEWELERS LIMITED
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

| <i>(in millions)</i> | November 2, 2013 | February 2, 2013 | October 27, 2012 | Notes |
|--|---------------------|---------------------|---------------------|-------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 87.8 | \$ 301.0 | \$ 166.0 | |
| Accounts receivable, net | 1,123.5 | 1,205.3 | 998.2 | 8 |
| Other receivables | 51.2 | 42.1 | 44.6 | |
| Other current assets | 86.9 | 85.6 | 59.6 | 9 |
| Deferred tax assets | 2.7 | 1.6 | 1.6 | |
| Income taxes | 16.7 | 3.5 | 16.1 | |
| Inventories | 1,644.9 | 1,397.0 | 1,508.5 | |
| Total current assets | 3,013.7 | 3,036.1 | 2,794.6 | |
| Non-current assets: | | | | |
| Property and equipment, net of accumulated depreciation of \$765.0, \$724.1, and \$715.3, respectively | 471.1 | 430.4 | 416.0 | |
| Other assets | 106.7 | 99.9 | 71.5 | 9 |
| Deferred tax assets | 119.9 | 104.1 | 113.5 | |
| Retirement benefit asset | 54.0 | 48.5 | 41.5 | |
| Total assets | \$ 3,765.4 | \$ 3,719.0 | \$ 3,437.1 | 2 |
| Liabilities and Shareholders equity | | | | |
| Current liabilities: | | | | |
| Loans and overdrafts | \$ 46.0 | \$ | \$ | 15 |
| Accounts payable | 244.9 | 155.9 | 216.2 | |
| Accrued expenses and other current liabilities | 252.5 | 326.4 | 266.5 | 10 |
| Deferred revenue | 156.3 | 159.7 | 149.1 | 9 |
| Deferred tax liabilities | 136.2 | 129.6 | 138.1 | |
| Income taxes | 6.8 | 100.3 | 32.7 | |
| Total current liabilities | 842.7 | 871.9 | 802.6 | |
| Non-current liabilities: | | | | |
| Deferred tax liabilities | 1.0 | | | |
| Other liabilities | 119.3 | 111.3 | 107.5 | 10 |
| Deferred revenue | 416.2 | 405.9 | 376.9 | 9 |
| Total liabilities | 1,379.2 | 1,389.1 | 1,287.0 | |
| Commitments and contingencies 13 | | | | |
| Shareholders equity: | | | | |
| Common shares of \$0.18 par value: authorized 500 shares, 80.3 shares outstanding (February 2, 2013: 81.4 shares outstanding; October 27, 2012: 81.0 shares outstanding) | 15.7 | 15.7 | 15.7 | |
| Additional paid-in capital | 252.3 | 246.3 | 235.1 | |

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| | | | |
|---|-------------------|------------|------------|
| Other reserves | 235.2 | 235.2 | 235.2 |
| Treasury shares at cost: 6.9 shares (February 2, 2013: 5.8 shares; October 27, 2012: 6.2 shares) | (342.6) | (260.0) | (276.8) |
| Retained earnings | 2,415.0 | 2,268.4 | 2,108.6 |
| Accumulated other comprehensive loss | (189.4) | (175.7) | (167.7) |
| Total shareholders' equity | 2,386.2 | 2,329.9 | 2,150.1 |
| Total liabilities and shareholders' equity | \$ 3,765.4 | \$ 3,719.0 | \$ 3,437.1 |

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

Table of Contents**SIGNET JEWELERS LIMITED****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

| <i>(in millions)</i> | 13 weeks ended | | 39 weeks ended | |
|---|---------------------|---------------------|---------------------|---------------------|
| | November 2, 2013 | October 27, 2012 | November 2, 2013 | October 27, 2012 |
| Cash flows from operating activities | | | | |
| Net income | \$ 33.6 | \$ 34.9 | \$ 192.8 | \$ 188.1 |
| Adjustments to reconcile net income to cash (used in) provided by operating activities: | | | | |
| Depreciation and amortization of property and equipment | 28.3 | 23.7 | 79.4 | 70.4 |
| Pension (benefit) expense | (0.1) | 0.8 | (0.3) | 2.4 |
| Share-based compensation | 3.8 | 4.3 | 10.3 | 11.4 |
| Deferred taxation | 2.2 | 18.8 | (0.3) | 6.0 |
| Excess tax benefit from exercise of share options | | | (4.5) | |
| Facility amendment fees amortization and charges | 0.1 | 0.1 | 0.3 | 0.3 |
| Other non-cash movements | (1.9) | (0.3) | (2.8) | (1.7) |
| Changes in operating assets and liabilities: | | | | |
| Decrease in accounts receivable | 29.0 | 34.2 | 81.8 | 90.3 |
| Increase in other receivables and other assets | (7.6) | (3.4) | (17.5) | (0.3) |
| (Increase) decrease in other current assets | (6.6) | 13.7 | (2.6) | 20.9 |
| Increase in inventories | (214.9) | (190.6) | (272.3) | (207.8) |
| Increase in accounts payable | 109.5 | 79.1 | 80.2 | 32.6 |
| (Decrease) increase in accrued expenses and other liabilities | (9.4) | 13.5 | (66.5) | (39.5) |
| (Decrease) increase in deferred revenue | (0.7) | (1.2) | 6.9 | (2.1) |
| Decrease in income taxes payable | (43.6) | (40.1) | (101.8) | (61.0) |
| Pension plan contributions | (1.1) | (3.3) | (3.9) | (10.3) |
| Effect of exchange rate changes on currency swaps | (1.0) | (0.8) | (1.1) | 0.5 |
| Net cash (used in) provided by operating activities | (80.4) | (16.6) | (21.9) | 100.2 |
| Investing activities | | | | |
| Purchase of property and equipment | (53.3) | (46.1) | (106.9) | (100.9) |
| Acquisition of Ultra Stores, Inc. | | | 1.4 | |
| Net cash used in investing activities | (53.3) | (46.1) | (105.5) | (100.9) |
| Financing activities | | | | |
| Dividends paid | (12.1) | (9.6) | (34.0) | (28.6) |
| Proceeds from issuance of common shares | 2.8 | 2.6 | 8.0 | 8.0 |
| Excess tax benefit from exercise of share options | | | 4.5 | |
| Repurchase of common shares | (25.0) | | (100.1) | (287.2) |
| Net settlement of equity based awards | (0.1) | (0.3) | (9.1) | (11.1) |
| Proceeds from short-term borrowings | 44.3 | | 46.0 | |
| Net cash provided by (used in) financing activities | 9.9 | (7.3) | (84.7) | (318.9) |
| Cash and cash equivalents at beginning of period | 212.9 | 237.5 | 301.0 | 486.8 |
| Decrease in cash and cash equivalents | (123.8) | (70.0) | (212.1) | (319.6) |
| Effect of exchange rate changes on cash and cash equivalents | (1.3) | (1.5) | (1.1) | (1.2) |

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|--|---------|----------|---------|----------|
| Cash and cash equivalents at end of period | \$ 87.8 | \$ 166.0 | \$ 87.8 | \$ 166.0 |
|--|---------|----------|---------|----------|

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

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SIGNET JEWELERS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(Unaudited)

| <i>(in millions)</i> | Common shares at par value | Additional paid-in capital | Other reserves | Treasury shares | Retained earnings | Accumulated other comprehensive loss | Total shareholders equity |
|---------------------------------------|-------------------------------------|----------------------------------|-------------------|--------------------|----------------------|---|---------------------------------|
| Balance at February 2, 2013 | \$ 15.7 | \$ 246.3 | \$ 235.2 | \$ (260.0) | \$ 2,268.4 | \$ (175.7) | \$ 2,329.9 |
| Net income | | | | | 192.8 | | 192.8 |
| Other comprehensive (loss) income | | | | | | (13.7) | (13.7) |
| Dividends | | | | | (36.2) | | (36.2) |
| Repurchase of common shares | | | | (100.1) | | | (100.1) |
| Net settlement of equity based awards | | (3.6) | | 7.0 | (8.0) | | (4.6) |
| Share options exercised | | (0.7) | | 10.5 | (2.0) | | 7.8 |
| Share-based compensation expense | | 10.3 | | | | | 10.3 |
| Balance at November 2, 2013 | \$ 15.7 | \$ 252.3 | \$ 235.2 | \$ (342.6) | \$ 2,415.0 | \$ (189.4) | \$ 2,386.2 |

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

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SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Principal accounting policies and basis of preparation

Basis of preparation

Signet Jewelers Limited (Signet or the Company), including its subsidiaries, is a leading retailer of jewelry, watches and associated services. Signet manages its business as two geographical segments, the United States of America (the US) and the United Kingdom (the UK). The US division operates retail stores under brands including Kay Jewelers, Jared The Galleria Of Jewelry, Ultra and various regional brands. Ultra was acquired by Signet in October 2012. The UK division s retail stores operate under brands including H.Samuel and Ernest Jones.

These condensed consolidated financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) have been condensed or omitted from this report, as is permitted by such rules and regulations. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes included in Signet s Annual Report on Form 10-K for the year ended February 2, 2013.

Use of estimates

The preparation of these condensed consolidated financial statements, in conformity with US GAAP and SEC regulations for interim reporting, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are primarily made in relation to the valuation of receivables, inventory and deferred revenue, fair value of derivatives, depreciation and asset impairment, the valuation of employee benefits, income taxes and contingencies.

Fiscal year

The Company s fiscal year ends on the Saturday nearest to January 31. Fiscal 2014 is the 52 week year ending February 1, 2014 and Fiscal 2013 is the 53 week year ended February 2, 2013. Within these financial statements, the third quarter and year to date of the relevant fiscal years 2014 and 2013 refer to the 13 and 39 weeks ended November 2, 2013 and October 27, 2012, respectively.

Seasonality

Signet s sales are seasonal, with the first and second quarters each normally accounting for slightly more than 20% of annual sales, the third quarter a little under 20% and the fourth quarter for about 40% of sales, with December being by far the most important month of the year. Sales made in November and December are known as the Holiday Season. Due to sales leverage, Signet s operating income is even more seasonal; about 45% to 50% of Signet s operating income normally occurs in the fourth quarter, comprised of nearly all of the UK division s operating income and about 40% to 50% of the US division s operating income.

Revenue recognition

Extended service plans and lifetime warranty agreements

The US division sells extended service plans where it is obliged, subject to certain conditions, to perform repair work over the lifetime of the product. Revenue from the sale of extended service plans is deferred over 14 years. Revenue is recognized in relation to the costs expected to be incurred in performing these services, with approximately 45% of revenue recognized within the first two years (February 2, 2013 and October 27, 2012: 46% and 46%, respectively). The deferral period is determined from patterns of claims costs, including estimates of future claims costs expected to be incurred. Management reviews the trends in claims to assess whether changes are required to the revenue and cost

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recognition rates used. All direct costs associated with the sale of these plans are deferred and amortized in proportion to the revenue recognized and disclosed as either other current assets or other assets.

Table of Contents**SIGNET JEWELERS LIMITED****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)*****New accounting pronouncements adopted during the period******Reclassification out of Accumulated Other Comprehensive Income***

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The new guidance does not change the current requirements for reporting net income or other comprehensive income, but it does require disclosure of amounts reclassified out of accumulated other comprehensive income by component, as well as require the presentation of these amounts on the face of the statements of comprehensive income or in the notes to the consolidated financial statements. ASU 2013-02 is effective for the reporting periods beginning after December 15, 2012. Signet adopted this guidance effective for the first quarter ended May 4, 2013 and the implementation of this accounting pronouncement did not have a material impact on Signet's consolidated financial statements.

New accounting pronouncements to be adopted in subsequent periods***Presentation of Unrecognized Tax Benefit***

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. The new guidance requires, unless certain conditions exist, an unrecognized tax benefit to be presented as a reduction to a deferred tax asset in the financial statements for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. The guidance in ASU 2013-11 will become effective for the Company prospectively for fiscal years beginning after December 15, 2013, and interim periods within those years, with early adoption permitted. Retrospective application is also permitted. Signet did not early adopt this guidance and is currently assessing the impact, if any, that the adoption of this accounting pronouncement will have on its consolidated financial statements.

Reclassification

Signet has reclassified the presentation of certain prior year information to conform to the current year presentation.

2. Segment information

Signet's sales are derived from the retailing of jewelry, watches, other products and services. Signet is managed as two geographical operating segments, being the US and UK divisions. These segments represent channels of distribution that offer similar merchandise and services and have similar marketing and distribution strategies. Both divisions are managed by executive committees, which report to Signet's Chief Executive Officer, who in turn reports to the Board of Directors (the Board). Each divisional executive committee is responsible for operating decisions within parameters set by the Board. The performance of each segment is regularly evaluated based on sales and operating income. The operating segments do not include certain corporate administrative costs. There are no material transactions between the operating segments.

| (in millions) | 13 weeks ended | | 39 weeks ended | |
|---------------|---------------------|---------------------|---------------------|---------------------|
| | November 2, 2013 | October 27, 2012 | November 2, 2013 | October 27, 2012 |
| Sales: | | | | |
| US | \$ 632.1 | \$ 575.6 | \$ 2,231.8 | \$ 2,029.0 |
| UK | 139.3 | 140.6 | 413.4 | 441.1 |
| Total sales | \$ 771.4 | \$ 716.2 | \$ 2,645.2 | \$ 2,470.1 |

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| | | | | |
|-------------------------------|----------------|----------------|-----------------|-----------------|
| Operating income (loss): | | | | |
| US | \$ 60.3 | \$ 65.3 | \$ 324.6 | \$ 320.3 |
| UK | (4.4) | (5.5) | (9.3) | (8.8) |
| Unallocated ⁽¹⁾ | (4.3) | (7.3) | (15.4) | (18.7) |
| Total operating income | \$ 51.6 | \$ 52.5 | \$ 299.9 | \$ 292.8 |

| <i>(in millions)</i> | November 2, 2013 | February 2, 2013 | October 27, 2012 |
|----------------------------|---------------------|---------------------|---------------------|
| Total assets: | | | |
| US | \$ 3,246.5 | \$ 3,018.8 | \$ 2,876.8 |
| UK | 495.3 | 449.9 | 490.0 |
| Unallocated ⁽¹⁾ | 23.6 | 250.3 | 70.3 |
| Total assets | \$ 3,765.4 | \$ 3,719.0 | \$ 3,437.1 |

(1) Unallocated principally relates to corporate administrative costs, assets and liabilities, and at times is referred to as Corporate .

Table of Contents**SIGNET JEWELERS LIMITED****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****3. Foreign currency translation**

Assets and liabilities denominated in the UK pound sterling are translated into the US dollar at the exchange rate prevailing at the balance sheet date. Equity accounts denominated in the UK pound sterling are translated into US dollars at historical exchange rates. Revenues and expenses denominated in the UK pound sterling are translated into the US dollar at the monthly average exchange rate for the period and calculated each month from the weekly exchange rates weighted by sales of the UK division. Gains and losses resulting from foreign currency transactions are included within the consolidated income statement, whereas translation adjustments and gains and losses related to intercompany loans of a long-term investment nature are reported as an element of other comprehensive income (loss).

4. Income taxes

Signet has business activity in all states within the US and files income tax returns for the US federal jurisdiction and all applicable states. Signet also files income tax returns in the UK and certain other foreign jurisdictions. Signet is subject to US federal and state examinations by tax authorities for tax years ending after November 1, 2008 and is subject to examination by the UK tax authority for tax years ending after January 31, 2011.

As of February 2, 2013, Signet had approximately \$4.5 million of unrecognized tax benefits in respect of uncertain tax positions, all of which would favorably affect the effective income tax rate if resolved in Signet's favor. These unrecognized tax benefits relate to financing arrangements and intra-group charges which are subject to different and changing interpretations of tax law. There has been no material change in the amount of unrecognized tax benefits in respect of uncertain tax positions during the 13 and 39 weeks ended November 2, 2013.

Signet recognizes accrued interest and, where appropriate, penalties related to unrecognized tax benefits within income tax expense. As of February 2, 2013, Signet had accrued interest of \$0.2 million and there has been no material change in the amount of accrued interest as of November 2, 2013.

Over the next twelve months management believes that it is reasonably possible that there could be a reduction of substantially all of the unrecognized tax benefits as of February 2, 2013, due to settlement of the uncertain tax positions with the tax authorities.

5. Earnings per share

| | 13 weeks ended | | 39 weeks ended | |
|--|------------------|------------------|------------------|------------------|
| | November 2, 2013 | October 27, 2012 | November 2, 2013 | October 27, 2012 |
| <i>(in millions, except per share amounts)</i> | | | | |
| Net income | \$ 33.6 | \$ 34.9 | \$ 192.8 | \$ 188.1 |
| Basic weighted average number of shares outstanding | 79.9 | 80.5 | 80.4 | 82.9 |
| Effect of dilutive restricted share awards and share options | 0.4 | 0.4 | 0.4 | 0.5 |
| Diluted weighted average number of shares outstanding | 80.3 | 80.9 | 80.8 | 83.4 |
| Earnings per share - basic | \$ 0.42 | \$ 0.43 | \$ 2.40 | \$ 2.27 |
| Earnings per share - diluted | \$ 0.42 | \$ 0.43 | \$ 2.39 | \$ 2.26 |

Table of Contents**SIGNET JEWELERS LIMITED****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

The basic weighted average number of shares excludes non-vested time-based restricted shares, shares held by the Employee Stock Ownership Trust and treasury shares. Such shares are not considered outstanding and do not qualify for dividends, except for time-based restricted shares for which dividends are earned and payable by the Company subject to full vesting. The effect of excluding these shares is to reduce the average number of shares in the 13 and 39 week periods ended November 2, 2013 by 7,287,686 and 6,833,816 shares, respectively (13 and 39 week periods ended October 27, 2012: 6,711,229 and 4,309,714 shares, respectively). The calculation of fully diluted earnings per share for the 13 and 39 week periods ended November 2, 2013 excludes 87,809 and 64,884 non-vested time-based restricted shares (13 and 39 week periods ended October 27, 2012: 274,023 and 240,548 shares and share options, respectively) on the basis that their effect on earnings per share was anti-dilutive.

6. Shareholders' equity*Share repurchase*

Signet may from time to time repurchase common shares under various share repurchase programs authorized by Signet's Board. Repurchases may be made in the open market, through block trades or otherwise. The timing, manner, price and amount of any repurchases will be determined by the Company in its discretion, and will be subject to economic and market conditions, stock prices, applicable legal requirements and other factors. The repurchase programs are funded through Signet's existing cash reserves and liquidity sources. Repurchased shares are being held as treasury shares and may be used by Signet for general corporate purposes. Share repurchase activity is as follows:

| | Amount authorized (in millions) | Shares repurchased 39 weeks ended | | Amount repurchased 39 weeks ended | | Average repurchase price 39 weeks ended | |
|-----------------------------|---------------------------------------|--------------------------------------|---------------------|--------------------------------------|--------------------------------------|--|---------------------|
| | | November 2, 2013 | October 27, 2012 | November 2, 2013 (in millions) | October 27, 2012 (in millions) | November 2, 2013 | October 27, 2012 |
| 2013 Program ⁽¹⁾ | \$ 350.0 | 746,326 | n/a | \$ 50.0 | \$ n/a | \$ 66.99 | \$ n/a |
| 2011 Program ⁽²⁾ | 350.0 | 749,245 | 6,425,296 | 50.1 | 287.2 | 66.92 | 44.70 |
| Total | | 1,495,571 | 6,425,296 | \$ 100.1 | \$ 287.2 | | |

- (1) On June 14, 2013, the Board authorized a new program to repurchase 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. The 2013 Program had \$300.0 million remaining as of November 2, 2013.
- (2) In October 2011, the Board authorized a program to repurchase up to \$300 million of Signet's common shares (the 2011 Program), which authorization was subsequently increased to \$350 million. The 2011 Program was completed as of May 4, 2013.

*Dividends***Fiscal 2014:**

| | Cash dividend per share | Date declared | Record date | Payment date ⁽¹⁾ | Total dividends (in millions) |
|----------------|----------------------------|----------------|----------------|-----------------------------|-------------------------------------|
| First quarter | \$ 0.15 | March 27, 2013 | May 3, 2013 | May 29, 2013 | \$ 12.1 |
| Second quarter | \$ 0.15 | June 14, 2013 | August 2, 2013 | August 28, 2013 | \$ 12.1 |

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| | | | | | | | |
|---------------|----|------|-----------------|------------------|-------------------|----|---------------------|
| Third quarter | \$ | 0.15 | August 21, 2013 | November 1, 2013 | November 26, 2013 | \$ | 12.0 ⁽²⁾ |
|---------------|----|------|-----------------|------------------|-------------------|----|---------------------|

- (1) Signet's dividend policy results in the dividend payment date being a quarter in arrears from the declaration date. As such, the fourth quarter Fiscal 2013 \$0.12 per share cash dividend was paid out on February 27, 2013 in the aggregate amount of \$9.8 million.
- (2) As of November 2, 2013, \$12.0 million has been recorded in accrued expenses and other current liabilities reflecting the cash dividend declared for the third quarter of Fiscal 2014, which is not presented in the condensed consolidated statement of cash flows as it is a non-cash transaction.

Table of Contents**SIGNET JEWELERS LIMITED****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****7. Reclassification out of accumulated OCI**

| <u>Reclassification activity by individual accumulated OCI component:</u> | Amounts reclassified from accumulated OCI 13 weeks ended November 2, 2013 | Amounts reclassified from accumulated OCI 39 weeks ended November 2, 2013 | Income statement caption |
|--|--|--|---|
| <i>(in millions)</i> | | | |
| (Gains) losses on cash flow hedges: | | | |
| Foreign currency contracts | \$ (0.2) | \$ (0.6) | Cost of sales (see Note 11) |
| Commodity contracts | 2.3 | 1.7 | Cost of sales (see Note 11) |
| Total before income tax | 2.1 | 1.1 | |
| | (0.8) | (0.5) | Income taxes |
| Net of tax | 1.3 | 0.6 | |
| Defined benefit pension plan items: | | | |
| Amortization of unrecognized net prior service credit | (0.4) | (1.1) | Selling, general and administrative expenses ⁽¹⁾ |
| Amortization of unrecognized actuarial loss | 0.6 | 1.7 | Selling, general and administrative expenses ⁽¹⁾ |
| Total before income tax | 0.2 | 0.6 | |
| | | (0.1) | Income taxes |
| Net of tax | 0.2 | 0.5 | |
| Total reclassifications | \$ 1.5 | \$ 1.1 | |

(1) These items are included in the computation of net periodic pension benefit (cost). See Note 12 for additional information.

8. Accounts receivable, net

Signet's accounts receivable primarily consist of US customer in-house financing receivables. The accounts receivable portfolio consists of a population that is of similar characteristics and is evaluated collectively for impairment. The allowance is an estimate of the losses as of the balance sheet date, and 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 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.

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| <i>(in millions)</i> | November 2, 2013 | February 2, 2013 | October 27, 2012 |
|--|---------------------|---------------------|---------------------|
| Accounts receivable by portfolio segment, net: | | | |
| US customer in-house finance receivables | \$ 1,111.8 | \$ 1,192.9 | \$ 987.6 |
| Other accounts receivable | 11.7 | 12.4 | 10.6 |
| Total accounts receivable, net | \$ 1,123.5 | \$ 1,205.3 | \$ 998.2 |

Table of Contents**SIGNET JEWELERS LIMITED****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

Signet grants credit to customers based on a variety of credit quality indicators, including consumer financial information and prior payment experience. On an ongoing basis, management monitors the credit exposure based on past due status and collection experience, as it has found a meaningful correlation between the past due status of customers and the risk of loss.

Other accounts receivable is comprised primarily of gross accounts receivable relating to the insurance loss replacement business in the UK division of \$9.9 million (February 2, 2013 and October 27, 2012: \$13.0 million and \$11.2 million, respectively) with a corresponding valuation allowance of \$0.5 million (February 2, 2013 and October 27, 2012: \$0.6 million and \$0.6 million, respectively).

Allowance for Credit Losses on US Customer In-House Finance Receivables:

| | 39 weeks ended November 2, 2013 | 53 weeks ended February 2, 2013 | 39 weeks ended October 27, 2012 |
|--|--|--|--|
| <i>(in millions)</i> | | | |
| Allowance on US portfolio, beginning of period | \$ (87.7) | \$ (78.1) | \$ (78.1) |
| Charge-offs | 91.0 | 112.8 | 79.3 |
| Recoveries | 19.9 | 21.8 | 16.6 |
| Provision | (112.8) | (144.2) | (98.0) |
| Allowance on US portfolio, end of period | \$ (89.6) | \$ (87.7) | \$ (80.2) |
| Ending receivable balance evaluated for impairment | 1,201.4 | 1,280.6 | 1,067.8 |
| Percentage of allowance on US portfolio, end of period | 7.5% | 6.8% | 7.5% |
| US customer in-house finance receivables, net | \$ 1,111.8 | \$ 1,192.9 | \$ 987.6 |

Net bad debt expense is calculated as provision expense less recoveries.

Credit Quality Indicator and Age Analysis of Past Due US Customer In-House Finance Receivables:

| | November 2, 2013 | | February 2, 2013 | | October 27, 2012 | |
|----------------------------------|---------------------|------------------------|---------------------|------------------------|---------------------|------------------------|
| <i>(in millions)</i> | Gross | Valuation allowance | Gross | Valuation allowance | Gross | Valuation allowance |
| Performing: | | | | | | |
| Current, aged 0-30 days | \$ 946.9 | \$ (29.0) | \$ 1,030.3 | \$ (33.8) | \$ 841.8 | \$ (25.8) |
| Past due, aged 31-90 days | 201.1 | (7.2) | 203.9 | (7.5) | 178.1 | (6.5) |
| Non Performing: | | | | | | |
| Past due, aged more than 90 days | 53.4 | (53.4) | 46.4 | (46.4) | 47.9 | (47.9) |
| | \$ 1,201.4 | \$ (89.6) | \$ 1,280.6 | \$ (87.7) | \$ 1,067.8 | \$ (80.2) |

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| | November 2, 2013 | | February 2, 2013 | | October 27, 2012 | |
|---|---------------------|------------------------|---------------------|------------------------|---------------------|------------------------|
| | Gross | Valuation allowance | Gross | Valuation allowance | Gross | Valuation allowance |
| <i>(as a percentage of the ending receivable balance)</i> | | | | | | |
| Performing | 95.6% | 3.2% | 96.4% | 3.3% | 95.5% | 3.2% |
| Non Performing | 4.4% | 100.0% | 3.6% | 100.0% | 4.5% | 100.0% |
| | 100.0% | 7.5% | 100.0% | 6.8% | 100.0% | 7.5% |

Table of Contents**SIGNET JEWELERS LIMITED****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****9. Deferred revenue**

Deferred revenue is comprised primarily of extended service plans (ESP) and voucher promotions and other as follows:

| <i>(in millions)</i> | November 2, 2013 | February 2, 2013 | October 27, 2012 |
|-------------------------------|---------------------|---------------------|---------------------|
| ESP deferred revenue | \$ 564.4 | \$ 549.7 | \$ 517.7 |
| Voucher promotions and other | 8.1 | 15.9 | 8.3 |
| Total deferred revenue | \$ 572.5 | \$ 565.6 | \$ 526.0 |
| Disclosed as: | | | |
| Current liabilities | \$ 156.3 | \$ 159.7 | \$ 149.1 |
| Non-current liabilities | 416.2 | 405.9 | 376.9 |
| Total deferred revenue | \$ 572.5 | \$ 565.6 | \$ 526.0 |

In addition, other current assets include deferred direct costs related to the sale of ESP of \$20.7 million as of November 2, 2013 (February 2, 2013 and October 27, 2012: \$20.9 million and \$21.0 million, respectively). Other assets include the long-term portion of these deferred direct costs of \$58.4 million as of November 2, 2013 (February 2, 2013 and October 27, 2012: \$56.9 million and \$52.8 million, respectively).

| <i>(in millions)</i> | 13 weeks ended | | 39 weeks ended | |
|---|---------------------|---------------------|---------------------|---------------------|
| | November 2, 2013 | October 27, 2012 | November 2, 2013 | October 27, 2012 |
| ESP deferred revenue, beginning of period | \$ 567.0 | \$ 523.7 | \$ 549.7 | \$ 511.7 |
| Plans sold | 40.6 | 36.0 | 142.0 | 130.2 |
| Revenues recognized | (43.2) | (42.0) | (127.3) | (124.2) |
| ESP deferred revenue, end of period | \$ 564.4 | \$ 517.7 | \$ 564.4 | \$ 517.7 |

10. Warranty reserve

Warranty reserve for diamond and gemstone guarantees, included in accrued expenses and other current liabilities, and other non-current liabilities, is as follows:

| <i>(in millions)</i> | 13 weeks ended | | 39 weeks ended | |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | November 2, 2013 | October 27, 2012 | November 2, 2013 | October 27, 2012 |
| Warranty reserve, beginning of period | \$ 18.6 | \$ 17.6 | \$ 18.5 | \$ 15.1 |
| Warranty expense | 1.8 | 1.6 | 5.3 | 7.7 |

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| | | | | |
|---------------------------------|---------|---------|---------|---------|
| Utilized | (1.6) | (1.6) | (5.0) | (5.2) |
| Warranty reserve, end of period | \$ 18.8 | \$ 17.6 | \$ 18.8 | \$ 17.6 |

| <i>(in millions)</i> | November 2, 2013 | February 2, 2013 | October 27, 2012 |
|-------------------------|---------------------|---------------------|---------------------|
| Disclosed as: | | | |
| Current liabilities | \$ 6.6 | \$ 6.9 | \$ 6.6 |
| Non-current liabilities | 12.2 | 11.6 | 11.0 |
| Total warranty reserve | \$ 18.8 | \$ 18.5 | \$ 17.6 |

11. Financial instruments and fair value

Signet's principal financial instruments are comprised of cash, cash deposits/investments and overdrafts, accounts receivable and payable, derivatives and a revolving credit facility. Signet does not enter into derivative transactions for trading purposes. Derivative transactions are used by Signet for risk management purposes to address risks inherent in Signet's business operations and sources of finance. The main risks arising from Signet's operations are market risk including foreign currency risk and commodity risk, liquidity risk and interest rate risk. Signet uses these financial instruments to manage and mitigate these risks under policies reviewed and approved by the Board.

Table of Contents**SIGNET JEWELERS LIMITED****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****Derivatives**

Signet enters into various types of derivative instruments to mitigate certain risk exposures related to changes in commodity costs and foreign exchange rates. Derivative instruments are recorded in the consolidated balance sheets at their fair values, as either assets or liabilities, with an offset to current or comprehensive income, depending on whether the derivative qualifies as an effective hedge.

If a derivative instrument meets certain hedge accounting criteria, it may be designated as a cash flow hedge on the date it is entered into. A cash flow hedge is a hedge of the exposure to variability in the cash flows of a recognized asset, liability or a forecasted transaction. For cash flow hedge transactions, the effective portion of the changes in fair value of derivatives is reported as other comprehensive income (OCI) and is recognized in the consolidated income statements in the same period(s) and on the same financial statement line in which the hedged transaction affects net income. Amounts excluded from the effectiveness calculation and any ineffective portions of the change in fair value of the derivative are recognized immediately in other operating income, net in the consolidated income statements. In addition, gains and losses on derivatives that do not qualify for hedge accounting are recognized immediately in other operating income, net.

The following types of derivative instruments are utilized by Signet:

Forward foreign currency exchange contracts (designated) These contracts, which are principally in US dollars, are entered into in order to limit the impact of movements in foreign exchange rates on forecasted foreign currency purchases. The total notional amount of these foreign currency contracts outstanding as of November 2, 2013 was \$60.4 million (February 2, 2013 and October 27, 2012: \$50.8 million and \$75.9 million, respectively). These contracts have been designated as cash flow hedges and will be settled over the next 15 months (February 2, 2013 and October 27, 2012: 12 months and 15 months, respectively).

Forward foreign currency exchange contracts (undesignated) Foreign currency contracts not designated as cash flow hedges are used to hedge currency flows through Signet's bank accounts to mitigate Signet's exposure to foreign currency exchange risk in its cash and borrowings.

Commodity forward purchase contracts and net zero-cost collar arrangements These contracts are entered into in order to reduce Signet's exposure to significant movements in the price of the underlying precious metal raw material. The total notional amount of these commodity derivative contracts outstanding as of November 2, 2013 was \$58.1 million (February 2, 2013 and October 27, 2012: \$187.6 million and \$219.6 million, respectively). These contracts have been designated as cash flow hedges and will be settled over the next 12 months (February 2, 2013 and October 27, 2012: 11 months and 14 months, respectively).

The bank counterparties to the derivative instruments expose Signet to credit-related losses in the event of their non-performance. However, to mitigate that risk, Signet only contracts with counterparties that meet certain minimum requirements under its counterparty risk assessment process. As of November 2, 2013, Signet believes that this credit risk did not materially change the fair value of the foreign currency or commodity contracts.

The following table summarizes the fair value and presentation of derivative instruments in the condensed consolidated balance sheets:

| <i>(in millions)</i> | Balance sheet location | Derivative assets | | |
|--|------------------------|-------------------|------------------|------------------|
| | | Fair value | | |
| | | November 2, 2013 | February 2, 2013 | October 27, 2012 |
| Derivatives designated as hedging instruments: | | | | |
| Foreign currency contracts | Other current assets | \$ 0.2 | \$ 1.0 | \$ 0.4 |
| Foreign currency contracts | Other assets | | | 0.1 |

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| | | | | |
|--|----------------------|---------------|---------------|---------------|
| Commodity contracts | Other current assets | 1.2 | 2.8 | 5.2 |
| | | 1.4 | 3.8 | 5.7 |
| Derivatives not designated as hedging instruments: | | | | |
| Foreign currency contracts | Other current assets | 1.1 | | |
| | | 1.1 | | |
| Total derivative assets | | \$ 2.5 | \$ 3.8 | \$ 5.7 |

Table of Contents**SIGNET JEWELERS LIMITED****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

| <i>(in millions)</i> | Balance sheet location | Derivative liabilities | | |
|---|---------------------------|------------------------|------------------|------------------|
| | | Fair value | | |
| | | November 2, 2013 | February 2, 2013 | October 27, 2012 |
| Derivatives designated as hedging instruments: | | | | |
| Foreign currency contracts | Other current liabilities | \$ (0.7) | \$ | \$ (0.7) |
| Foreign currency contracts | Other liabilities | (0.2) | | (0.2) |
| Commodity contracts | Other current liabilities | (0.6) | (4.6) | (2.3) |
| Commodity contracts | Other liabilities | | | (0.3) |
| | | (1.5) | (4.6) | (3.5) |
| Derivatives not designated as hedging instruments: | | | | |
| Foreign currency contracts | Other current liabilities | | | (0.5) |
| | | | | (0.5) |
| Total derivative liabilities | | \$ (1.5) | \$ (4.6) | \$ (4.0) |

The following tables summarize the effect of derivative instruments on the condensed consolidated income statements:

| <i>(in millions)</i> | Amount of gain (loss) recognized in OCI on derivatives (Effective portion) | | Location of gain (loss) reclassified from accumulated OCI into income (Effective portion) | Amount of gain (loss) reclassified from accumulated OCI into income (Effective portion) 13 weeks ended | |
|--|--|------------------|---|--|------------------|
| | 13 weeks ended | | | November 2, 2013 | October 27, 2012 |
| | November 2, 2013 | October 27, 2012 | | | |
| Derivatives in cash flow hedging relationships: | | | | | |
| Foreign currency contracts | \$ (2.1) | \$ (1.1) | Cost of sales | \$ 0.2 | \$ 0.1 |
| Commodity contracts | 0.3 ⁽¹⁾ | 7.9 | Cost of sales | (2.3) | 2.8 |
| Total | \$ (1.8) | \$ 6.8 | | \$ (2.1) | \$ 2.9 |

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| <i>(in millions)</i> | 39 weeks ended | | into income (Effective portion) | 39 weeks ended | |
|---|-----------------------|---------------------|------------------------------------|---------------------|---------------------|
| | November 2, 2013 | October 27, 2012 | | November 2, 2013 | October 27, 2012 |
| Derivatives in cash flow hedging relationships: | | | | | |
| Foreign currency contracts | \$ (0.7) | \$ (1.0) | Cost of sales | \$ 0.6 | \$ 0.3 |
| Commodity contracts | (27.2) ⁽¹⁾ | (6.3) | Cost of sales | (1.7) | 17.1 |
| Total | \$ (27.9) | \$ (7.3) | | \$ (1.1) | \$ 17.4 |

- (1) During the 13 and 39 weeks ended November 2, 2013, losses recognized in OCI on commodity derivative contracts designated in cash flow hedging relationships included \$0.0 million and \$25.8 million of losses related to the change in fair value of commodity derivative contracts the Company terminated prior to contract maturity in the respective periods.

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SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

| <i>(in millions)</i> | Amount of gain (loss) recognized in income on derivatives 13 weeks ended | | Location of gain (loss) recognized in income on derivatives | Amount of gain (loss) recognized in income on derivatives 39 weeks ended | |
|----------------------------|---|---------------------|---|---|---------------------|
| | November 2, 2013 | October 27, 2012 | | November 2, 2013 | October 27, 2012 |
| | Derivatives not designated as hedging instruments: | | | | |
| Foreign currency contracts | \$ (2.8) | \$ (1.6) | Other operating income, net | \$ | \$ (0.5) |
| Total | \$ (2.8) | \$ (1.6) | | \$ | \$ (0.5) |

As of November 2, 2013, the ending balance of accumulated OCI for commodity derivative contracts designated in cash flow hedging relationships was a loss of \$26.0 million, including a loss of \$25.9 million related to the commodity derivative contracts terminated prior to contract maturity in Fiscal 2014. The Company expects approximately \$23.2 million of net pre-tax derivative losses to be reclassified out of accumulated OCI into earnings within the next 12 months of which \$9.8 million will be recognized in the fourth quarter of Fiscal 2014.

Fair value

The estimated fair value of Signet's financial instruments held or issued to finance Signet's operations is summarized below. Certain estimates and judgments were required to develop the fair value amounts. The fair value amounts shown below are not necessarily indicative of the amounts that Signet would realize upon disposition nor do they indicate Signet's intent or ability to dispose of the financial instrument. Assets and liabilities that are carried at fair value are required to be classified and disclosed in one of the following three categories:

Level 1 quoted market prices in active markets for identical assets and liabilities

Level 2 observable market based inputs or unobservable inputs that are corroborated by market data

Level 3 unobservable inputs that are not corroborated by market data

Signet determines fair value based upon quoted prices when available or through the use of alternative approaches, such as discounting the expected cash flows using market interest rates commensurate with the credit quality and duration of the investment. The methods Signet uses to determine fair value on an instrument-specific basis are detailed below:

| <i>(in millions)</i> | November 2, 2013 | | February 2, 2013 | | October 27, 2012 | |
|--|-------------------|-------------------------|-------------------|-------------------------|-------------------|-------------------------|
| | Carrying Value | Fair Value (Level 2) | Carrying Value | Fair Value (Level 2) | Carrying Value | Fair Value (Level 2) |
| Assets: | | | | | | |
| Forward foreign currency contracts and swaps | \$ 1.3 | \$ 1.3 | \$ 1.0 | \$ 1.0 | \$ 0.5 | \$ 0.5 |
| Forward commodity contracts | 1.2 | 1.2 | 2.8 | 2.8 | 5.2 | 5.2 |
| Liabilities: | | | | | | |
| Forward foreign currency contracts and swaps | (0.9) | (0.9) | | | (1.4) | (1.4) |
| Forward commodity contracts | (0.6) | (0.6) | (4.6) | (4.6) | (2.6) | (2.6) |

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The fair value of derivative financial instruments has been determined based on market value equivalents at the balance sheet date, taking into account the current interest rate environment, current foreign currency forward rates or current commodity forward rates. These are held as assets and liabilities within other receivables and other payables, and all contracts have a maturity of less than 15 months. The carrying amounts of cash and cash equivalents, accounts receivable, other receivables, accounts payable and accrued liabilities approximate fair value because of the short-term maturity of these amounts.

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SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

12. Pensions

Signet operates a defined benefit pension plan in the UK (the UK Plan). The components of net periodic pension cost were as follows:

| <i>(in millions)</i> | 13 weeks ended | | 39 weeks ended | |
|--|---------------------|---------------------|---------------------|---------------------|
| | November 2, 2013 | October 27, 2012 | November 2, 2013 | October 27, 2012 |
| Components of net periodic pension benefit (cost): | | | | |
| Service cost | \$ (0.6) | \$ (0.9) | \$ (1.8) | \$ (2.7) |
| Interest cost | (2.3) | (2.4) | (6.9) | (7.1) |
| Expected return on UK Plan assets | 3.2 | 2.9 | 9.6 | 8.6 |
| Amortization of unrecognized prior service credit | 0.4 | 0.4 | 1.1 | 1.2 |
| Amortization of unrecognized actuarial loss | (0.6) | (0.8) | (1.7) | (2.4) |
| Net periodic pension benefit (cost) | \$ 0.1 | \$ (0.8) | \$ 0.3 | \$ (2.4) |

In the 39 weeks ended November 2, 2013, Signet contributed \$3.9 million to the UK Plan and expects to contribute a minimum aggregate of \$5.2 million at current exchange rates to the UK Plan in Fiscal 2014. These contributions are in accordance with an agreed upon deficit recovery plan and based on the results of the actuarial valuation as of April 5, 2012.

13. Commitments and contingencies*Legal proceedings*

In March 2008, a group of private plaintiffs (the Claimants) filed a class action lawsuit for an unspecified amount against Sterling Jewelers Inc. (Sterling), a subsidiary of Signet, in the U.S. District Court for the Southern District of New York alleging that US store-level employment practices are discriminatory as to compensation and promotional activities with respect to gender. In June 2008, the District Court referred the matter to private arbitration where the Claimants sought to proceed on a class-wide basis. The parties engaged in fact discovery related to class certification issues through mid-March 2013. In June 2013, the Claimants filed their motion for class certification, disclosed their experts, and produced their expert reports. In mid-October 2013, Sterling filed its opposition to Claimants' class certification motion, its disclosure of its experts and their reports, as well as three motions to exclude the reports of Claimants' experts and a motion to strike Claimants' declarations and attorney summaries. The Claimants' reply brief, any expert rebuttal submissions, as well as any motions relating thereto are due in mid-January 2014. Also due at that time are Claimants' responses to Sterling's motions to exclude and strike, and Sterling's replies thereto are due in early February 2014. Expert discovery is ongoing, and all expert depositions must be completed by January 24, 2014. The Arbitrator has scheduled a hearing on the class certification motion and all related motions for February 5, 2014. Sterling has filed a motion requesting hearings (i.e., separate arguments) on its motions to exclude and strike. Claimants filed their opposition to Sterling's motion on November 4, 2013 and Sterling's reply thereto was filed with the Arbitrator on November 11, 2013.

On September 23, 2008, the U.S. Equal Employment Opportunity Commission (EEOC) filed a lawsuit against Sterling in the U.S. District Court for the Western District of New York. The EEOC's lawsuit alleges that Sterling engaged in intentional and disparate impact gender discrimination with respect to pay and promotions of female retail store employees from January 1, 2003 to the present. The EEOC asserts claims for unspecified monetary relief and non-monetary relief against the Company on behalf of a class of female employees subjected to these alleged practices. Non-expert fact discovery closed in mid-May 2013. Pursuant to the Court's case management order, both the EEOC and Sterling have designated their respective experts and produced their respective expert's reports. The EEOC's expert rebuttal submission is due mid-January 2014. Expert discovery is ongoing, and all expert depositions must be completed by January 24, 2014. Any dispositive motions

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must be filed by February 4, 2014. In the event that no dispositive motions are filed, a status conference is set for February 7, 2014. On September 25, 2013, Sterling filed a motion for partial summary judgment on procedural grounds. The EEOC's response to Sterling's motion was filed mid-November 2013, and Sterling's reply thereto is due December 2, 2013. The Magistrate Judge has scheduled oral arguments on this motion for December 9, 2013.

Sterling denies the allegations of both parties and has been defending these cases vigorously. At this point, no outcome or amount of loss is able to be estimated.

In the ordinary course of business, Signet may be subject, from time to time, to various other proceedings, lawsuits, disputes or claims incidental to its business or not significant to Signet's consolidated financial position.

Table of Contents**SIGNET JEWELERS LIMITED****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****14. Share-based compensation expense**

Signet recorded share-based compensation expense of \$3.8 million and \$10.3 million for the 13 and 39 weeks ended November 2, 2013, respectively, related to the Omnibus Plans and Saving Share Plans (\$4.3 million and \$11.4 million for the 13 and 39 weeks ended October 27, 2012, respectively).

15. Loans, overdrafts and long-term debt

| <i>(in millions)</i> | November 2, 2013 | February 2, 2013 | October 27, 2012 |
|--|---------------------|---------------------|---------------------|
| Current liabilities – loans and overdrafts | | | |
| Revolving credit facility | \$ 35.0 | \$ | \$ |
| Bank overdrafts | 11.0 | | |
| Total loans and overdrafts | \$ 46.0 | \$ | \$ |

In May 2011, Signet entered into a \$400 million senior unsecured multi-currency five year revolving credit facility agreement (the Credit Facility). The Credit Facility contains an expansion option that, with the consent of the lenders or the addition of new lenders, and subject to certain conditions, availability under the Credit Facility may be increased by an additional \$200 million at the request of Signet. The Credit Facility has a five year term and matures in May 2016, at which time all amounts outstanding under the Credit Facility will be due and payable. The Credit Facility also contains various customary representations and warranties, financial reporting requirements and other affirmative and negative covenants. The Credit Facility requires that Signet maintain at all times a Leverage Ratio (as defined in the Credit Facility) to be no greater than 2.50 to 1.00 and a Fixed Charge Coverage Ratio (as defined in the Credit Facility) to be no less than 1.40 to 1.00, both determined as of the end of each fiscal quarter of Signet for the trailing twelve months.

At November 2, 2013, \$35.0 million was outstanding under the Credit Facility. No amounts were outstanding under this Facility as of February 2, 2013 and October 27, 2012, with no intra-period borrowings. Signet had stand-by letters of credit of \$9.5 million as of November 2, 2013 and February 2, 2013 and \$8.2 million as of October 27, 2012, respectively. As of November 2, 2013, the Company was in compliance with all debt covenants.

16. Acquisition

On October 29, 2012, Signet acquired the outstanding shares of Ultra Stores, Inc., a leading jewelry retailer operating primarily in outlet centers, from Crystal Financial LLC and its other stockholders (the Ultra Acquisition). The Company initially paid \$56.7 million, net of acquired cash of \$1.5 million, for the Ultra Acquisition including a \$1.4 million working capital adjustment as of the closing, subject to post-closing procedures. The total consideration paid was funded through existing cash.

On May 15, 2013, the post-closing procedures were finalized and a reduction to the initial purchase price was agreed to. As a result, total consideration paid for the Ultra Acquisition was reduced to \$55.3 million. The refund of \$1.4 million from the initial consideration paid was received during the second quarter of Fiscal 2014.

The results of operations related to the Ultra Acquisition are reported as a component of the results of the US division and included in Signet's consolidated financial statements commencing on the date of acquisition.

Table of Contents**SIGNET JEWELERS LIMITED****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

During the first quarter of Fiscal 2014, the Company finalized the valuation of net assets acquired. There were no material changes to the valuation of net assets acquired from the initial allocation reported during the fourth quarter of Fiscal 2013. Accordingly, the total consideration paid has been allocated to the net assets acquired based on the final fair values at October 29, 2012 as follows:

| <i>(in millions)</i> | Initial Allocation | Final Allocation | Change |
|--|-------------------------------|-----------------------------|-----------------|
| Recognized amounts of assets acquired and liabilities assumed: | | | |
| Inventories | \$ 43.3 | \$ 43.3 | \$ |
| Other current assets, excluding cash acquired | 3.3 | 3.3 | |
| Property and equipment | 12.1 | 12.1 | |
| Other assets | 0.3 | 0.3 | |
| Current liabilities | (19.5) | (19.5) | |
| Other liabilities | (7.4) | (7.4) | |
| | | | |
| Fair value of net assets acquired | \$ 32.1 | \$ 32.1 | \$ |
| Goodwill ⁽¹⁾ | 24.6 | 23.2 | (1.4) |
| | | | |
| Total consideration | \$ 56.7 | \$ 55.3 | \$ (1.4) |

(1) None of the goodwill will be deductible for income tax purposes. The goodwill balance is recorded within other assets in the consolidated balance sheet.

17. Subsequent event

On November 4, 2013, Signet acquired a diamond polishing factory in Gaborone, Botswana for \$9.1 million. The acquisition expands the Company's long-term diamond sourcing capabilities and provides resources for the Company to cut and polish stones.

Table of Contents**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q 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 document 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, may, forecast, objective, plan, 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, risks relating to Signet being a Bermuda corporation, the merchandising, pricing and inventory policies followed by Signet, the reputation of Signet and its brands, the level of competition in the jewelry sector, the cost and availability of diamonds, gold and other precious metals, regulations relating to consumer credit, seasonality of Signet's business, financial market risks, deterioration in consumers' financial condition, exchange rate fluctuations, changes in consumer attitudes regarding jewelry, management of social, ethical and environmental risks, security breaches and other disruptions to Signet's information technology infrastructure and databases, inadequacy in and disruptions to internal controls and systems, and changes in assumptions used in making accounting estimates relating to items such as extended service plans and pension.

For a discussion of these and other risks and uncertainties which could cause actual results to differ materially from those expressed in any forward-looking statement, see the Risk Factors section of Signet's Fiscal 2013 Annual Report on Form 10-K filed with the SEC on March 28, 2013. Signet undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances, except as required by law.

OVERVIEW

Signet is the largest specialty retail jeweler in the US and UK. Signet manages its business as two geographical segments, the US and the UK divisions.

Signet's US division operated 1,478 stores in all 50 states at November 2, 2013. Its stores trade nationally in malls and off-mall locations as Kay Jewelers (Kay), and regionally under a number of well-established mall-based brands. Destination superstores trade nationwide as Jared The Galleria Of Jewelry (Jared). Signet acquired Ultra Stores, Inc. (Ultra) on October 29, 2012 (the Ultra Acquisition). During Fiscal 2014, 65 of the acquired Ultra stores were converted to Kay outlet mall stores.

Signet's UK division operated 496 stores at November 2, 2013, including 14 stores in the Republic of Ireland and three in the Channel Islands. Its stores trade 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.

Non-GAAP measures

Signet provides certain 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 substitute for, financial information prepared in accordance with US GAAP.

Same store sales

The 53rd week in Fiscal 2013 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 continue to be calculated based on the reported fiscal periods.

Exchange translation impact

Signet has historically used constant exchange rates to compare period-to-period changes in certain financial data. Management considers this a useful measure for analyzing and explaining changes and trends in Signet's results. The impact of the re-calculation, including a reconciliation to Signet's US GAAP results, is analyzed below.

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| | 13 weeks ended | | Change % | Impact of exchange rate movement | 13 weeks ended October 27, 2012 at constant exchange rates (non-GAAP) | Change at constant exchange rates (non-GAAP) % |
|--|------------------|------------------|----------|----------------------------------|---|--|
| | November 2, 2013 | October 27, 2012 | | | | |
| <i>(in millions, except per share amounts)</i> | | | | | | |
| Sales by origin and destination: | | | | | | |
| US | \$ 632.1 | \$ 575.6 | 9.8% | \$ | \$ 575.6 | 9.8% |
| UK | 139.3 | 140.6 | (0.9)% | | 140.6 | (0.9)% |
| | 771.4 | 716.2 | 7.7% | | 716.2 | 7.7% |
| Cost of sales | (532.2) | (480.8) | (10.7)% | | (480.8) | (10.7)% |
| Gross margin | 239.2 | 235.4 | 1.6% | | 235.4 | 1.6% |
| Selling, general and administrative expenses | (233.4) | (222.6) | (4.9)% | (0.1) | (222.7) | (4.8)% |
| Other operating income, net | 45.8 | 39.7 | 15.4% | 0.1 | 39.8 | 15.1% |
| Operating income (loss): | | | | | | |
| US | 60.3 | 65.3 | (7.7)% | | 65.3 | (7.7)% |
| UK | (4.4) | (5.5) | 20.0% | | (5.5) | 20.0% |
| Unallocated | (4.3) | (7.3) | 41.1% | | (7.3) | 41.1% |
| | 51.6 | 52.5 | (1.7)% | | 52.5 | (1.7)% |
| Interest expense, net | (0.9) | (0.9) | % | (0.2) | (1.1) | 18.2% |
| Income before income taxes | 50.7 | 51.6 | (1.7)% | (0.2) | 51.4 | (1.4)% |
| Income taxes | (17.1) | (16.7) | (2.4)% | | (16.7) | (2.4)% |
| Net income | \$ 33.6 | \$ 34.9 | (3.7)% | \$ (0.2) | \$ 34.7 | (3.2)% |
| Earnings per share basic | \$ 0.42 | \$ 0.43 | (2.3)% | \$ | \$ 0.43 | (2.3)% |
| Earnings per share diluted | \$ 0.42 | \$ 0.43 | (2.3)% | \$ | \$ 0.43 | (2.3)% |

| | 39 weeks ended | | Change % | Impact of exchange rate movement | 39 weeks ended October 27, 2012 at constant exchange rates (non-GAAP) | Change at constant exchange rates (non-GAAP) % |
|--|------------------|------------------|----------|----------------------------------|---|--|
| | November 2, 2013 | October 27, 2012 | | | | |
| <i>(in millions, except per share amounts)</i> | | | | | | |
| Sales by origin and destination: | | | | | | |
| US | \$ 2,231.8 | \$ 2,029.0 | 10.0% | \$ | \$ 2,029.0 | 10.0% |
| UK | 413.4 | 441.1 | (6.3)% | (9.5) | 431.6 | (4.2)% |
| | 2,645.2 | 2,470.1 | 7.1% | (9.5) | 2,460.6 | 7.5% |
| Cost of sales | (1,713.5) | (1,569.8) | (9.2)% | 6.9 | (1,562.9) | (9.6)% |

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| | | | | | | |
|--|-----------------|----------|---------|-------|----------|--------|
| Gross margin | 931.7 | 900.3 | 3.5% | (2.6) | 897.7 | 3.8% |
| Selling, general and administrative expenses | (770.9) | (727.4) | (6.0)% | 2.6 | (724.8) | (6.4)% |
| Other operating income, net | 139.1 | 119.9 | 16.0% | 0.1 | 120.0 | 15.9% |
| Operating income (loss): | | | | | | |
| US | 324.6 | 320.3 | 1.3% | | 320.3 | 1.3% |
| UK | (9.3) | (8.8) | (5.7)% | | (8.8) | (5.7)% |
| Unallocated | (15.4) | (18.7) | 17.6% | 0.1 | (18.6) | 17.2% |
| | 299.9 | 292.8 | 2.4% | 0.1 | 292.9 | 2.4% |
| Interest expense, net | (2.8) | (2.5) | (12.0)% | (0.1) | (2.6) | (7.7)% |
| Income before income taxes | 297.1 | 290.3 | 2.3% | | 290.3 | 2.3% |
| Income taxes | (104.3) | (102.2) | (2.1)% | | (102.2) | (2.1)% |
| Net income | \$ 192.8 | \$ 188.1 | 2.5% | \$ | \$ 188.1 | 2.5% |
| Earnings per share basic | \$ 2.40 | \$ 2.27 | 5.7% | \$ | \$ 2.27 | 5.7% |
| Earnings per share diluted | \$ 2.39 | \$ 2.26 | 5.8% | \$ | \$ 2.26 | 5.8% |

Table of Contents**Operating data reflecting the impact of the Ultra Acquisition**

The below table reflects the impact of the Ultra Acquisition on the consolidated results. Management finds the information useful to analyze the continued results of the business without the impact of the acquisition for the first year of operations, while Ultra is being fully integrated. In the fourth quarter of Fiscal 2014, this information will no longer be provided as Ultra will have been fully integrated and will have anniversaried the first year of operations.

13 weeks ended November 2, 2013:

| | Signet, excluding Ultra | | Ultra ⁽¹⁾ | | Consolidated | |
|--|-------------------------|-------------------|----------------------|-------------------|--------------------|-------------------|
| | <i>in millions</i> | <i>% of sales</i> | <i>in millions</i> | <i>% of sales</i> | <i>in millions</i> | <i>% of sales</i> |
| Sales | \$ 743.4 | 100.0 | \$ 28.0 | 100.0 | \$ 771.4 | 100.0 |
| Cost of sales | (508.5) | (68.4) | (23.7) | (84.6) | (532.2) | (69.0) |
| Gross margin | 234.9 | 31.6 | 4.3 | 15.4 | 239.2 | 31.0 |
| Selling, general and administrative expenses | (225.0) | (30.3) | (8.4) | (30.0) | (233.4) | (30.2) |
| Other operating income, net | 45.6 | 6.1 | 0.2 | 0.7 | 45.8 | 5.9 |
| Operating income (loss) | 55.5 | 7.4 | (3.9) | (13.9) | 51.6 | 6.7 |
| Interest expense, net | (0.9) | (0.1) | | | (0.9) | (0.1) |
| Income (loss) before income taxes | 54.6 | 7.3 | (3.9) | (13.9) | 50.7 | 6.6 |
| Income taxes | (18.6) | (2.5) | 1.5 | 5.3 | (17.1) | (2.2) |
| Net income (loss) | \$ 36.0 | 4.8 | \$ (2.4) | (8.6) | \$ 33.6 | 4.4 |
| Earnings (loss) per share basic | \$ 0.45 | | \$ (0.03) | | \$ 0.42 | |
| Earnings (loss) per share diluted | \$ 0.45 | | \$ (0.03) | | \$ 0.42 | |

(1) Includes results for all store locations acquired in the Ultra Acquisition.

In the third quarter of Fiscal 2014, operating income for the US division was \$60.3 million or 9.5% of sales including Ultra, and excluding Ultra was \$64.2 million or 10.6% of sales.

39 weeks ended November 2, 2013:

| | Signet, excluding Ultra | | Ultra ⁽¹⁾ | | Consolidated | |
|--|-------------------------|-------------------|----------------------|-------------------|--------------------|-------------------|
| | <i>in millions</i> | <i>% of sales</i> | <i>in millions</i> | <i>% of sales</i> | <i>in millions</i> | <i>% of sales</i> |
| Sales | \$ 2,553.7 | 100.0 | \$ 91.5 | 100.0 | \$ 2,645.2 | 100.0 |
| Cost of sales | (1,640.8) | (64.3) | (72.7) | (79.5) | (1,713.5) | (64.8) |
| Gross margin | 912.9 | 35.7 | 18.8 | 20.5 | 931.7 | 35.2 |
| Selling, general and administrative expenses | (736.4) | (28.8) | (34.5) | (37.7) | (770.9) | (29.2) |
| Other operating income, net | 138.9 | 5.4 | 0.2 | 0.2 | 139.1 | 5.3 |
| Operating income (loss) | 315.4 | 12.3 | (15.5) | (17.0) | 299.9 | 11.3 |
| Interest expense, net | (2.7) | (0.1) | (0.1) | (0.1) | (2.8) | (0.1) |
| Income (loss) before income taxes | 312.7 | 12.2 | (15.6) | (17.1) | 297.1 | 11.2 |
| Income taxes | (110.3) | (4.3) | 6.0 | 6.6 | (104.3) | (3.9) |

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| | | | | | | | |
|-----------------------------------|----|-------|-----|-----------|--------|----------|-----|
| Net income (loss) | \$ | 202.4 | 7.9 | \$ (9.6) | (10.5) | \$ 192.8 | 7.3 |
| Earnings (loss) per share basic | \$ | 2.51 | | \$ (0.11) | | \$ 2.40 | |
| Earnings (loss) per share diluted | \$ | 2.51 | | \$ (0.12) | | \$ 2.39 | |

(1) Includes results for all store locations acquired in the Ultra Acquisition.

In the year to date, operating income for the US division was \$324.6 million or 14.5% of sales including Ultra, and excluding Ultra was \$340.1 million or 15.9% of sales.

Table of Contents**Net cash**

Net cash is the total of cash and cash equivalents less loans and overdrafts, and is helpful in providing a measure of the total indebtedness of the business.

| <i>(in millions)</i> | November 2, 2013 | February 2, 2013 | October 27, 2012 |
|---------------------------|---------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 87.8 | \$ 301.0 | \$ 166.0 |
| Loans and overdrafts | (46.0) | | |
| Net cash | \$ 41.8 | \$ 301.0 | \$ 166.0 |

Free cash flow

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

| <i>(in millions)</i> | 13 weeks ended | | 39 weeks ended | |
|---|---------------------|---------------------|---------------------|---------------------|
| | November 2, 2013 | October 27, 2012 | November 2, 2013 | October 27, 2012 |
| Net cash (used in) provided by operating activities | \$ (80.4) | \$ (16.6) | \$ (21.9) | \$ 100.2 |
| Purchase of property and equipment, net | (53.3) | (46.1) | (106.9) | (100.9) |
| Free cash flow | \$ (133.7) | \$ (62.7) | \$ (128.8) | \$ (0.7) |

In the 13 weeks ended November 2, 2013, free cash flow was \$(133.7) million compared to \$(62.7) million in the prior year comparable period. The decrease in free cash flow of \$71.0 million was driven by lower cash provided by operating activities and an increase of investments in property and equipment. The decrease in cash provided by operating activities was primarily due to changes in other current assets, inventories, and accrued expenses partially offset by an increase in accounts payable. The change in other current assets is attributed to higher prepaid rent associated with timing differences. The increase in inventories and accounts payable is due to higher inventory levels associated with the Ultra acquisition, bridal brand expansions, Signet's sourcing initiative and new store growth. The change in accrued expenses was primarily due to lower incentive compensation accruals. Free cash flow for the 39 weeks ended November 2, 2013 is discussed in the Liquidity and Capital Resources section.

Table of Contents**RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with the Financial Statements and the related notes in Part I of this Quarterly Report on Form 10-Q, as well as the financial and other information included in Signet's Fiscal 2013⁽¹⁾ Annual Report on Form 10-K.

Third Quarter Highlights (third quarter is the 13 weeks ended November 2, 2013)

Same store sales: up 3.2%

Operating income: \$51.6 million, down \$0.9 million, a decrease of 1.7%
Operating income excluding Ultra: \$55.5 million, up \$3.0 million, an increase of 5.7%

Diluted earnings per share: down by 2.3% to \$0.42
Diluted earnings per share excluding Ultra: up by 4.7% to \$0.45

Year to Date Highlights

Same store sales: up 4.5%

Operating income: \$299.9 million, up \$7.1 million, an increase of 2.4%
Operating income excluding Ultra: \$315.4 million, up \$22.6 million, an increase of 7.7%

Diluted earnings per share: up by 5.8% to \$2.39
Diluted earnings per share excluding Ultra: up by 11.1% to \$2.51

(1) Fiscal 2014 is the 52 week year ending February 1, 2014 and Fiscal 2013 is the 53 week year ended February 2, 2013. Certain operating data as a percentage of sales were as follows:

Operating Data

| | Third Quarter | | Year To Date | |
|--|---------------|-------------|--------------|-------------|
| | Fiscal 2014 | Fiscal 2013 | Fiscal 2014 | Fiscal 2013 |
| (% to sales) | | | | |
| Sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of sales | (69.0) | (67.1) | (64.8) | (63.6) |
| Gross margin | 31.0 | 32.9 | 35.2 | 36.4 |
| Selling, general and administrative expenses | (30.2) | (31.1) | (29.2) | (29.4) |

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| | | | | |
|-----------------------------|--------------|-------|--------------|-------|
| Other operating income, net | 5.9 | 5.5 | 5.3 | 4.9 |
| Operating income | 6.7 | 7.3 | 11.3 | 11.9 |
| Interest expense, net | (0.1) | (0.1) | (0.1) | (0.1) |
| Income before income taxes | 6.6 | 7.2 | 11.2 | 11.8 |
| Income taxes | (2.2) | (2.3) | (3.9) | (4.2) |
| Net income | 4.4 | 4.9 | 7.3 | 7.6 |

Table of Contents**Third quarter sales**

In the third quarter of Fiscal 2014, Signet's same store sales increased 3.2% compared to an increase of 1.4% in the 13 weeks ended October 27, 2012 (third quarter of Fiscal 2013 or prior year third quarter). Total sales were \$771.4 million compared to \$716.2 million in the third quarter of Fiscal 2013, up \$55.2 million or 7.7% compared to an increase of 0.8% in the third quarter of Fiscal 2013. eCommerce sales were \$22.8 million compared to \$19.6 million in the third quarter of Fiscal 2013, up \$3.2 million or 16.3%. The breakdown of the sales performance is set out in the table below.

| | Change from previous year | | | | | Total sales as reported | Total sales (in millions) |
|-------------------------------------|---------------------------------|---|--|--|-------------------------|-------------------------|---------------------------|
| | Same store sales ⁽¹⁾ | Non-same store sales, net ⁽¹⁾⁽²⁾ | Total sales at constant exchange rate ⁽³⁾ | Exchange translation impact ⁽³⁾ | Total sales as reported | | |
| Third quarter of Fiscal 2014 | | | | | | | |
| US division | 4.2% | 5.6% | 9.8% | | 9.8% | \$ 632.1 | |
| UK division | (0.9)% | % | (0.9)% | % | (0.9)% | \$ 139.3 | |
| Signet | 3.2% | 4.5% | 7.7% | % | 7.7% | \$ 771.4 | |

- (1) The 53rd week in Fiscal 2013 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 continue to be calculated based on the reported fiscal periods, with the difference being reported within non-same store sales.
- (2) Includes all sales from stores not open or owned for 12 months, including results from all store locations acquired in the Ultra Acquisition and sales from Signet's diamond sourcing initiative.
- (3) Non-GAAP measure, discussed herein.

US sales

In the third quarter of Fiscal 2014, the US division's total sales were \$632.1 million compared to \$575.6 million in the third quarter of Fiscal 2013, up \$56.5 million or 9.8%. Same store sales increased 4.2% compared to an increase of 1.2% in the third quarter of Fiscal 2013. US sales increases in the third quarter were driven by particular strength in bridal, colored diamonds and watches. In the quarter, Kay and Jared experienced increases in both transaction counts and average transaction value. eCommerce sales were \$16.2 million compared to \$14.5 million in the third quarter of Fiscal 2013, up \$1.7 million or 11.7%. The eCommerce growth reflects the anniversary of the website re-launch in October 2012. See the table below for further analysis of sales.

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| | Change from previous year | | | |
|-------------------------------------|---------------------------------|---|-------------------------|---------------------------|
| | Same store sales ⁽¹⁾ | Non-same store sales, net ⁽¹⁾⁽²⁾ | Total sales as reported | Total sales (in millions) |
| Third quarter of Fiscal 2014 | | | | |
| Kay | 5.8% | 2.1% | 7.9% | \$ 364.0 |
| Jared | 3.0% | (0.2)% | 2.8% | \$ 195.2 |
| Regional brands | (2.2)% | (5.4)% | (7.6)% | \$ 44.9 |
| US division, excluding Ultra | 4.2% | 0.8% | 5.0% | \$ 604.1 |
| Ultra ⁽³⁾ | % | 4.8% | 4.8% | \$ 28.0 |
| US division, including Ultra | 4.2% | 5.6% | 9.8% | \$ 632.1 |

- (1) The 53rd week in Fiscal 2013 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 continue to be calculated based on the reported fiscal periods, with the difference being reported within non-same store sales.
- (2) Includes all sales from stores not open or owned for 12 months, including sales from Signet's diamond sourcing initiative.
- (3) Includes results for all store locations acquired in the Ultra Acquisition. The change from previous year for Ultra is calculated as a percentage of total US sales.

| Third quarter of Fiscal 2014 | Average merchandise transaction value ⁽¹⁾⁽²⁾ | | | | Merchandise transactions | |
|------------------------------|---|---------------|---------------------------|---------------|---------------------------|-------------|
| | Average value | | Change from previous year | | Change from previous year | |
| | Fiscal 2014 | Fiscal 2013 | Fiscal 2014 | Fiscal 2013 | Fiscal 2014 | Fiscal 2013 |
| Kay ⁽³⁾ | \$ 469 | \$ 451 | 4.0% | 0.4% | 3.8% | 5.8% |
| Jared | \$ 660 | \$ 653 | 1.1% | (7.5)% | 2.0% | 3.6% |
| Regional brands | \$ 460 | \$ 448 | 2.7% | 0.7% | (4.4)% | (9.1)% |
| US division | \$ 517 | \$ 502 | 3.0% | (2.3)% | 2.6% | 3.7% |

- (1) Average merchandise transaction value is defined as net merchandise sales 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, ESP, insurance, employee and other miscellaneous sales.
- (3) The Kay average merchandise transaction value and merchandise transactions exclude the Ultra acquired stores.

UK sales

In the third quarter of Fiscal 2014, the UK division's total sales were \$139.3 million compared to \$140.6 million in the third quarter of Fiscal 2013, down \$1.3 million or 0.9%. Same store sales decreased 0.9% compared to an increase of 2.3% in the third quarter of Fiscal 2013. Bridal and diamond sales increased in the third quarter. The number of transactions also increased, while the average transaction value declined, with Ernest Jones impacted from Rolex being offered in fewer stores. Watches were strong in Ernest Jones, excluding Rolex. eCommerce sales were \$6.6 million compared to \$5.1 million in the third quarter of Fiscal 2013, up \$1.5 million or 29.4%. See the table below for further analysis of sales.

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| | Change from previous year | | | | | Total sales as reported | Total sales (in millions) |
|-------------------------------------|---------------------------------|---|--|--|---------------|----------------------------|------------------------------|
| | Same store sales ⁽¹⁾ | Non-same store sales, net ⁽¹⁾⁽²⁾ | at constant exchange rate ⁽³⁾ | Exchange translation impact ⁽³⁾ | Total sales | | |
| Third quarter of Fiscal 2014 | | | | | | | |
| H.Samuel | (2.2)% | 0.9% | (1.3)% | % | (1.3)% | \$ 73.1 | |
| Ernest Jones ⁽⁴⁾ | 0.6% | (1.1)% | (0.5)% | % | (0.5)% | \$ 66.2 | |
| UK division | (0.9)% | % | (0.9)% | % | (0.9)% | \$ 139.3 | |

- (1) The 53rd week in Fiscal 2013 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 continue to be calculated based on the reported fiscal periods, with the difference being reported within non-same store sales.
- (2) Includes all sales from stores not open for 12 months.
- (3) Non-GAAP measure, discussed herein.
- (4) Includes stores selling under the Leslie Davis nameplate.

| Third quarter of Fiscal 2014 | Average merchandise transaction value ⁽¹⁾⁽²⁾ | | | | Merchandise transactions | |
|------------------------------|---|--------------|---------------------------|-------------|---------------------------|---------------|
| | Average value | | Change from previous year | | Change from previous year | |
| | Fiscal 2014 | Fiscal 2013 | Fiscal 2014 | Fiscal 2013 | Fiscal 2014 | Fiscal 2013 |
| H.Samuel | £ 73 | £ 74 | (1.4)% | 4.1% | 0.6% | (6.7)% |
| Ernest Jones ⁽³⁾ | £ 268 | £ 306 | (12.4)% | (0.3)% | 13.3% | (1.0)% |
| UK division | £ 112 | £ 116 | (3.4)% | 3.0% | 3.0% | (5.7)% |

- (1) Average merchandise transaction value is defined as net merchandise sales divided by the total number of customer transactions.
- (2) Net merchandise sales include all merchandise product sales, including VAT, net of discounts and returns. In addition, excluded from net merchandise sales are repairs, insurance, employee and other miscellaneous sales.
- (3) Includes stores selling under the Leslie Davis nameplate.
- Year to date sales*

In the year to date, Signet's same store sales increased 4.5% compared to an increase of 3.2% in the comparable prior year period. In the year to date, total sales were \$2,645.2 million compared to \$2,470.1 million in the 39 weeks ended October 27, 2012, up \$175.1 million or 7.1%. eCommerce sales were \$85.1 million compared to \$65.9 million in the 39 weeks ended October 27, 2012, up \$19.2 million or 29.1%. The breakdown of the sales performance is set out in the table below.

| | Change from previous year | | | | | Total sales as reported | Total sales (in millions) |
|---------------------------------|---------------------------------|---|--|--|-------------|----------------------------|------------------------------|
| | Same store sales ⁽¹⁾ | Non-same store sales, net ⁽¹⁾⁽²⁾ | at constant exchange rate ⁽³⁾ | Exchange translation impact ⁽³⁾ | Total sales | | |
| Year to Date Fiscal 2014 | | | | | | | |
| US division | 5.9% | 4.1% | 10.0% | | 10.0% | \$ 2,231.8 | |
| UK division | (1.9)% | (2.3)% | (4.2)% | (2.1)% | (6.3)% | \$ 413.4 | |
| Signet | 4.5% | 3.0% | 7.5% | (0.4)% | 7.1% | \$ 2,645.2 | |

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- (1) The 53rd week in Fiscal 2013 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 continue to be calculated based on the reported fiscal periods, with the difference being reported within non-same store sales.
- (2) Includes all sales from stores not open or owned for 12 months, including results from all store locations acquired in the Ultra Acquisition and sales from Signet's diamond sourcing initiative.
- (3) Non-GAAP measure, discussed herein.

US sales

In the year to date, the US division's total sales were \$2,231.8 million compared to \$2,029.0 million in the 39 weeks ended October 27, 2012, up \$202.8 million or 10.0%. Same store sales increased 5.9% compared to an increase of 3.5% in the comparable prior year period. US sales increases were driven by particular strength in bridal, colored diamonds and watches in Kay and Jared, as well as the Ultra Acquisition. For the year to date, Kay and Jared experienced increases in both transaction counts and average transaction value. eCommerce sales were \$67.1 million compared to \$50.4 million in the 39 weeks ended October 27, 2012, up \$16.7 million or 33.1%. See the table below for further analysis of sales.

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| Year to Date Fiscal 2014 | Change from previous year | | | Total sales (in millions) |
|-------------------------------------|---------------------------------|--|-------------------------|------------------------------|
| | Same store sales ⁽¹⁾ | Non-same store sale, net ⁽¹⁾⁽²⁾ | Total sales as reported | |
| Kay | 7.5% | (0.1)% | 7.4% | \$ 1,297.9 |
| Jared | 5.0% | 0.9% | 5.9% | \$ 682.0 |
| Regional brands | (2.0)% | (7.3)% | (9.3)% | \$ 160.4 |
| US division, excluding Ultra | 5.9% | (0.4)% | 5.5% | \$ 2,140.3 |
| Ultra ⁽³⁾ | % | 4.5% | 4.5% | \$ 91.5 |
| US division, including Ultra | 5.9% | 4.1% | 10.0% | \$ 2,231.8 |

- (1) The 53rd week in Fiscal 2013 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 continue to be calculated based on the reported fiscal periods, with the difference being reported within non-same store sales.
- (2) Includes all sales from stores not open or owned for 12 months, including sales from Signet's diamond sourcing initiative.
- (3) Includes results for all store locations acquired in the Ultra Acquisition. The change from previous year for Ultra is calculated as a percentage of total US sales.

| Year to Date Fiscal 2014 | Average merchandise transaction value ⁽¹⁾⁽²⁾ | | | | Merchandise transactions | |
|--------------------------|---|---------------|---------------------------|-------------|--------------------------|-------------|
| | Average value | | Change from previous year | | Fiscal 2014 | Fiscal 2013 |
| | Fiscal 2014 | Fiscal 2013 | Fiscal 2014 | Fiscal 2013 | | |
| Kay ⁽³⁾ | \$ 408 | \$ 391 | 4.3% | 2.1% | 3.0% | 5.2% |
| Jared | \$ 581 | \$ 571 | 1.8% | (0.5)% | 4.8% | 0.6% |
| Regional brands | \$ 415 | \$ 402 | 3.2% | 1.5% | (10.6)% | (7.8)% |
| US division | \$ 451 | \$ 436 | 3.4% | 0.9% | 2.2% | 2.7% |

- (1) Average merchandise transaction value is defined as net merchandise sales 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, ESP, insurance, employee and other miscellaneous sales.
- (3) The Kay average merchandise transaction value and merchandise transactions exclude the Ultra acquired stores.

UK sales

In the year to date, the UK division's total sales were \$413.4 million compared to \$441.1 million in the 39 weeks ended October 27, 2012, down \$27.7 million or 6.3%. Same store sales decreased 1.9% compared to an increase of 1.9% in the comparable prior year period. The total sales decline was due to a same store sales decrease of \$7.8 million primarily in H.Samuel, the impact of closed stores of \$10.4 million, and currency fluctuation of \$9.5 million. Sales in bridal, diamond and watches, excluding Rolex, were higher in the year to date period. The number of transactions increased in Ernest Jones, while declining in H.Samuel. The average merchandise transaction value in Ernest Jones was lower primarily attributed to the reduction of the Rolex line, which is being offered in fewer stores. Sales in both businesses were impacted by lower bead transactions. eCommerce sales were \$18.0 million compared to \$15.5 million in the 39 weeks ended October 27, 2012, up \$2.5 million or 16.1%. See the table below for further analysis of sales.

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| Year to Date Fiscal 2014 | Change from previous year | | | | | Total sales as reported | Total sales (in millions) |
|-----------------------------|---------------------------------|---|--|--|---------------|----------------------------|------------------------------|
| | Same store sales ⁽¹⁾ | Non-same store sales, net ⁽¹⁾⁽²⁾ | at constant exchange rate ⁽³⁾ | Exchange translation impact ⁽³⁾ | Total | | |
| H.Samuel | (2.9)% | (1.7)% | (4.6)% | (2.1)% | (6.7)% | \$ 217.4 | |
| Ernest Jones ⁽⁴⁾ | (0.7)% | (3.1)% | (3.8)% | (2.1)% | (5.9)% | \$ 196.0 | |
| UK division | (1.9)% | (2.3)% | (4.2)% | (2.1)% | (6.3)% | \$ 413.4 | |

- (1) The 53rd week in Fiscal 2013 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 continue to be calculated based on the reported fiscal periods, with the difference being reported within non-same store sales.
- (2) Includes all sales from stores not open for 12 months.
- (3) Non-GAAP measure, discussed herein.
- (4) Includes stores selling under the Leslie Davis nameplate.

| Year to Date Fiscal 2014 | Average merchandise transaction value ⁽¹⁾⁽²⁾ | | | | Merchandise transactions | |
|-----------------------------|---|--------------|---------------------------|-------------|---------------------------|---------------|
| | Average value | | Change from previous year | | Change from previous year | |
| | Fiscal 2014 | Fiscal 2013 | Fiscal 2014 | Fiscal 2013 | Fiscal 2014 | Fiscal 2013 |
| H.Samuel | £ 74 | £ 75 | (1.3)% | 4.9% | (4.8)% | (4.6)% |
| Ernest Jones ⁽³⁾ | £ 273 | £ 304 | (10.2)% | 7.4% | 6.8% | (5.8)% |
| UK division | £ 114 | £ 116 | (1.7)% | 4.7% | (2.6)% | (4.8)% |

- (1) Average merchandise transaction value is defined as net merchandise sales divided by the total number of customer transactions.
- (2) Net merchandise sales include all merchandise product sales, including VAT, net of discounts and returns. In addition, excluded from net merchandise sales are repairs, insurance, employee and other miscellaneous sales.
- (3) Includes stores selling under the Leslie Davis nameplate.

Cost of sales and gross margin

In the third quarter of Fiscal 2014, consolidated gross margin was \$239.2 million or 31.0% of sales compared to \$235.4 million or 32.9% of sales in the third quarter of Fiscal 2013. The inclusion of the results for Ultra decreased the consolidated gross margin rate by 60 basis points and the US gross margin rate by 80 basis points. The Ultra gross margin is lower than the core US business due to lower Ultra store productivity and the impact of the Ultra integration.

Gross margin dollars in the US increased by \$6.0 million compared to the third quarter of Fiscal 2013, reflecting higher sales offset by a gross margin rate decrease of 220 basis points. The lower gross margin rate was primarily attributed to a gross merchandise margin rate decline of 100 basis points, 60 basis points of which were attributed to Ultra, with the remaining decrease primarily due to the net impact of gold hedge losses associated with the decline in gold prices earlier this year. In addition, lower gold spot prices reduced the recovery on trade-ins and inventory by 40 basis points, store occupancy deleveraged by approximately 20 basis points primarily due to the inclusion of Ultra, and a change in the US net bad debt expense reduced gross margin by 20 basis points as the US net bad debt ratio was 5.6% of sales compared to 5.4% of sales in the prior year third quarter. The increase in this ratio was primarily due to the growth in the outstanding receivable balance from increased credit penetration and change in credit program mix.

In the UK, gross margin dollars decreased \$2.2 million compared to the third quarter of Fiscal 2013, primarily reflecting the impact of decreased sales and a gross margin rate decrease of 140 basis points. The lower gross margin rate was primarily attributed to a 60 basis point decrease in the gross merchandise margin rate due to increased promotional sales and a 50 basis point decline due to lower recovery rates on inventory, with the remaining decrease primarily due to deleverage of expenses on lower sales.

In the year to date, consolidated gross margin was \$931.7 million or 35.2% of sales compared to \$900.3 million or 36.4% of sales in the 39 weeks ended October 27, 2012. The inclusion of the results for Ultra decreased the consolidated gross margin rate by 50 basis points and the US

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gross margin rate by 70 basis points. The Ultra gross margin is lower than the core US business due to lower Ultra store productivity and the impact of the Ultra integration.

Gross margin dollars in the US increased by \$40.2 million compared to prior year comparable period, reflecting higher sales offset by a gross margin rate decrease of 170 basis points. The lower gross margin was primarily attributed to a gross merchandise margin rate decline of 90 basis points, 50 basis points of which were attributed to Ultra, with the remaining decrease primarily due to the net impact of gold hedge losses associated with the decline in gold prices earlier this year and bridal programs. In addition, store occupancy deleveraged by approximately 20 basis points primarily due to the inclusion of Ultra, and a change in the US net bad debt expense reduced gross margin by 20 basis points as the US net bad debt to US sales ratio was 4.2% compared to 4.0% in the prior year comparable period. The increase in this ratio was primarily due to growth in the outstanding receivable balance from increased credit penetration and change in credit program mix.

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In the UK, gross margin dollars decreased \$8.8 million compared to the prior year comparable period, primarily reflecting the impact of decreased sales, a gross margin rate decrease of 30 basis points and currency fluctuations. Currency translation costs were \$2.6 million of the decrease in gross margin decline. The gross margin rate decrease was primarily driven by promotional sales mix.

Selling, general and administrative expenses (SGA)

In the third quarter of Fiscal 2014, SGA expenses were \$233.4 million compared to \$222.6 million in the third quarter of Fiscal 2013, up \$10.8 million or 4.9%. As a percentage of sales, SGA decreased by 90 basis points to 30.2%. The inclusion of the results for Ultra increased SGA by \$8.4 million, which was partially offset by expense reductions in the UK and Corporate totaling \$6.6 million. In the US, SGA expenses increased primarily due to higher sales, and as a percentage of sales were essentially flat, as spending remained well-controlled.

In the year to date, SGA expenses were \$770.9 million compared to \$727.4 million in the 39 weeks ended October 27, 2012, up \$43.5 million, and as a percentage of sales decreased by 20 basis points to 29.2%. The inclusion of the results for Ultra increased SGA by \$34.5 million and increased the consolidated SGA rate by 40 basis points. In the US, SGA expenses were higher primarily due to increased sales but leveraged as a percentage of sales due to well-controlled spending. Partially offsetting these increases was an expense decline totaling \$12.4 million in the UK and Corporate, reflecting the impact of cost reductions and currency fluctuations.

Other operating income, net

In the third quarter of Fiscal 2014, other operating income, net was \$45.8 million or 5.9% of sales compared to \$39.7 million or 5.5% of sales in the third quarter of Fiscal 2013.

In the year to date, other operating income, net was \$139.1 million or 5.3% of sales compared to \$119.9 million or 4.9% of sales in the 39 weeks ended October 27, 2012. This increase was primarily due to higher interest income earned from higher outstanding receivable balances in the US.

Operating income

In the third quarter of Fiscal 2014, operating income was \$51.6 million or 6.7% of sales compared to \$52.5 million or 7.3% of sales in the third quarter of Fiscal 2013. The US division's operating income including Ultra was \$60.3 million or 9.5% of sales compared to \$65.3 million or 11.3% of sales in the third quarter of Fiscal 2013. Excluding Ultra, the US division's operating income was \$64.2 million or 10.6% of sales. The operating loss for the UK division was \$4.4 million or (3.2)% of sales compared to \$5.5 million or (3.9)% of sales in the third quarter of Fiscal 2013, an improvement of \$1.1 million. Unallocated corporate administrative costs were \$4.3 million compared to \$7.3 million in the third quarter of Fiscal 2013.

In the year to date, operating income was \$299.9 million or 11.3% of sales compared to \$292.8 million or 11.9% of sales in the 39 weeks ended October 27, 2012. The US division's operating income including Ultra was \$324.6 million or 14.5% of sales compared to \$320.3 million or 15.8% of sales in the 39 weeks ended October 27, 2012. Excluding Ultra, the US division's operating income was \$340.1 million or 15.9% of sales. The operating loss for the UK division was \$9.3 million or (2.2)% of sales compared to \$8.8 million or (2.0)% of sales in the 39 weeks ended October 27, 2012. Unallocated corporate administrative costs were \$15.4 million compared to \$18.7 million in the 39 weeks ended October 27, 2012.

Interest expense, net

In the third quarter of Fiscal 2014, net interest expense was \$0.9 million compared to \$0.9 million in the third quarter of Fiscal 2013. In the year to date, net interest expense was \$2.8 million compared to \$2.5 million in the 39 weeks ended October 27, 2012.

Income before income taxes

In the third quarter of Fiscal 2014, income before income taxes decreased 1.7% to \$50.7 million or 6.6% of sales compared to \$51.6 million or 7.2% of sales in the third quarter of Fiscal 2013. In the year to date, income before income taxes was \$297.1 million or 11.2% of sales compared to \$290.3 million or 11.8% of sales in the 39 weeks ended October 27, 2012.

Income taxes

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In the third quarter of Fiscal 2014, income tax expense was \$17.1 million compared to \$16.7 million in the prior year third quarter. The effective tax rate was 33.7% compared to 32.4% in the third quarter of Fiscal 2013. In the year to date, income tax expense was \$104.3 million, a 35.1% effective tax rate, compared to \$102.2 million, a 35.2% effective tax rate in the 39 weeks ended October 27, 2012. The expected effective tax rate for Fiscal 2014 is 35.1% compared to 35.4% for Fiscal 2013.

Net income

In the third quarter of Fiscal 2014, net income was down 3.7% to \$33.6 million or 4.4% of sales compared to \$34.9 million or 4.9% of sales in the third quarter of Fiscal 2013. In the year to date, net income was \$192.8 million or 7.3% of sales compared to \$188.1 million or 7.6% of sales in the 39 weeks ended October 27, 2012.

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Earnings per share

In the third quarter of Fiscal 2014, diluted earnings per share were \$0.42 and excluding Ultra were \$0.45 compared to \$0.43 in the third quarter of Fiscal 2013. The weighted average diluted number of common shares outstanding was 80.3 million compared to 80.9 million in the third quarter of Fiscal 2013. Signet repurchased 371,713 shares in the third quarter of Fiscal 2014 compared to 0 shares in the third quarter of Fiscal 2013.

In the year to date, diluted earnings per share were \$2.39 and excluding Ultra were \$2.51 compared to \$2.26 in the 39 weeks ended October 27, 2012. The weighted average diluted number of common shares outstanding was 80.8 million compared to 83.4 million in the 39 weeks ended October 27, 2012. Signet repurchased 1,495,571 shares in the 39 weeks ended November 2, 2013 compared to 6,425,296 shares in the 39 weeks ended October 27, 2012.

Dividends per share

In the third quarter of Fiscal 2014, dividends of \$0.15 were approved by the Board compared to \$0.12 in the third quarter of Fiscal 2013. In the year to date, dividends of \$0.45 were approved by the Board compared to \$0.36 in the 39 weeks ended October 27, 2012.

Table of Contents**LIQUIDITY AND CAPITAL RESOURCES**

Set out in the table below is a summary of Signet's cash flow activity for the year to date for Fiscal 2014 and Fiscal 2013.

| <i>(in millions)</i> | 39 weeks ended | |
|--|---------------------|---------------------|
| | November 2, 2013 | October 27, 2012 |
| Summary cash flow | | |
| Net cash (used in) provided by operating activities | \$ (21.9) | \$ 100.2 |
| Net cash used in investing activities | (105.5) | (100.9) |
| Net cash used in financing activities | (84.7) | (318.9) |
| | | |
| Decrease in cash and cash equivalents | (212.1) | (319.6) |
| | | |
| Cash and cash equivalents at beginning of period | 301.0 | 486.8 |
| Effect of exchange rate changes on cash and cash equivalents | (1.1) | (1.2) |
| | | |
| Cash and cash equivalents at end of period | \$ 87.8 | \$ 166.0 |

Operating activities

During the 39 weeks ended November 2, 2013, net cash used in operating activities was \$21.9 million compared to net cash provided by operating activities of \$100.2 million in the 39 weeks ended October 27, 2012. Cash used in operating activities of \$21.9 million was primarily driven by the following changes discussed below.

Accounts receivable decreased by \$81.8 million compared to a decrease of \$90.3 million in the prior year comparable period, reflecting seasonal collection patterns partially offset by sales growth. In the US division, credit participation was 58.8% and the average monthly collection rate was 12.3% compared to 59.0% and 12.6%, respectively in the prior year comparable period. Excluding the sales from Ultra, the credit participation rate was 60.4% compared to 59.0% in the prior year comparable period, driven primarily by higher bridal and branded sales.

Inventory related items increased by \$272.3 million compared to an increase of \$207.8 million in the prior year comparable period. The \$272.3 million inventory change includes \$28.4 million in cash flow relating to closed hedges. The remaining increase in inventory is driven by Ultra inventory, expansion of bridal programs, increased rough diamond inventory associated with management's strategic sourcing initiative and new store growth. Offsetting these increases were management actions to improve inventory turns. Accounts payable increased by \$80.2 million compared to an increase of \$32.6 million in the prior year comparable period primarily driven by timing of payments on higher inventory levels.

Other current assets increased by \$2.6 million compared to a decrease of \$20.9 million in the prior year comparable period primarily attributed to higher prepaid rent associated with timing differences.

Accrued expenses decreased by \$66.5 million compared to a decrease of \$39.5 million in the prior year comparable period primarily due to lower incentive compensation accruals.

Income taxes payable decreased by \$101.8 million compared to a decrease of \$61.0 million in the prior year comparable period due primarily to higher estimated tax payments made during Fiscal 2014.

Investing activities

During the 39 weeks ended November 2, 2013, net cash used in investing activities was \$105.5 million, including the refund of \$1.4 million for working capital adjustments for the Ultra Acquisition, compared to \$100.9 million in the 39 weeks ended October 27, 2012. In the US division, capital additions were \$96.1 million compared to \$84.5 million in the prior year comparable period reflecting capital spend associated with the integration and conversion of Ultra, IT and new store investments. In the UK division, capital additions were \$10.8 million compared to \$16.4 million in the prior year comparable period.

Stores opened and closed in the 39 weeks ended November 2, 2013, together with planned changes for the balance of Fiscal 2014, are set out in the tables below.

Table of Contents**US Division**

| | Kay mall | Kay off-mall | Jared | Regional brands | Ultra ⁽¹⁾ | Total | Annual net space change |
|-------------------------|-------------|-----------------|------------|--------------------|----------------------|--------------|-------------------------------|
| February 2, 2013 | 763 | 186 | 190 | 194 | 110 | 1,443 | 11% |
| Opened | 12 | 40 | 9 | | 3 | 64 | |
| Closed | (7) | (9) | | (5) | (8) | (29) | |
| November 2, 2013 | 768 | 217 | 199 | 189 | 105 | 1,478 | |
| Openings, planned | 3 | 8 | 6 | | | 17 | |
| Closures, planned | (2) | (2) | | (11) | | (15) | |
| February 1, 2014 | 769 | 223 | 205 | 178 | 105 | 1,480 | 5% |

(1) Includes 65 stores that have been converted from Ultra store locations to Kay outlets. Excludes Ultra licensed jewelry departments.

UK Division

| | H.Samuel | Ernest Jones ⁽¹⁾ | Total | Annual net space change |
|-------------------------|------------|--------------------------------|------------|-------------------------------|
| February 2, 2013 | 318 | 193 | 511 | (3)% |
| Opened | | 1 | 1 | |
| Closed | (11) | (5) | (16) | |
| November 2, 2013 | 307 | 189 | 496 | |
| Openings, planned | | 1 | 1 | |
| Closures, planned | (3) | (1) | (4) | |
| February 1, 2014 | 304 | 189 | 493 | (3)% |

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

Financing activities**Dividends**

During the 39 weeks ended November 2, 2013, the Company's dividend activity was as follows:

Fiscal 2014:

| | Cash dividend per share | Date declared | Record date | Payment date ⁽¹⁾ | Total dividends (in millions) |
|----------------|----------------------------|----------------|----------------|-----------------------------|-------------------------------------|
| First quarter | \$ 0.15 | March 27, 2013 | May 3, 2013 | May 29, 2013 | \$ 12.1 |
| Second quarter | \$ 0.15 | June 14, 2013 | August 2, 2013 | August 28, 2013 | \$ 12.1 |

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| | | | | | | | |
|---------------|----|------|-----------------|------------------|-------------------|----|---------------------|
| Third quarter | \$ | 0.15 | August 21, 2013 | November 1, 2013 | November 26, 2013 | \$ | 12.0 ⁽²⁾ |
|---------------|----|------|-----------------|------------------|-------------------|----|---------------------|

- (1) Signet's dividend policy results in the dividend payment date being a quarter in arrears from the declaration date. As such, the fourth quarter Fiscal 2013 \$0.12 per share cash dividend was paid out on February 27, 2013 in the aggregate amount of \$9.8 million.
- (2) As of November 2, 2013, \$12.0 million has been recorded in accrued expenses and other current liabilities reflecting the cash dividend declared for the third quarter of Fiscal 2014, which is not presented in the condensed consolidated statement of cash flows as it is a non-cash transaction.

Table of Contents*Share repurchase*

During the 39 weeks ended November 2, 2013, the Company's share repurchase activity was as follows:

| | Amount authorized (in millions) | Shares repurchased 39 weeks ended | | Amount repurchased 39 weeks ended | | Average repurchase price 39 weeks ended | |
|-----------------------------|---------------------------------------|--------------------------------------|---------------------|--------------------------------------|--------------------------------------|--|---------------------|
| | | November 2, 2013 | October 27, 2012 | November 2, 2013 (in millions) | October 27, 2012 (in millions) | November 2, 2013 | October 27, 2012 |
| 2013 Program ⁽¹⁾ | \$ 350.0 | 746,326 | n/a | \$ 50.0 | \$ n/a | \$ 66.99 | \$ n/a |
| 2011 Program ⁽²⁾ | 350.0 | 749,245 | 6,425,296 | 50.1 | 287.2 | 66.92 | 44.70 |
| Total | | 1,495,571 | 6,425,296 | \$ 100.1 | \$ 287.2 | | |

- (1) On June 14, 2013, the Board authorized the 2013 Program to repurchase up to \$350 million of Signet's common shares. The 2013 Program may be suspended or discontinued at any time without notice. The 2013 Program had \$300.0 million remaining as of November 2, 2013.
- (2) In October 2011, the Board authorized the 2011 Program to repurchase up to \$300 million of Signet's common shares, which authorization was subsequently increased to \$350 million. The 2011 Program was completed as of May 4, 2013.

Proceeds from exercise of share options

During the 39 weeks ended November 2, 2013, \$8.0 million was received for the exercise of share options pursuant to Signet's equity compensation programs compared to \$8.0 million in the 39 weeks ended October 27, 2012. Other than equity based compensation awards granted to employees and directors, Signet has not issued common shares as a financing activity for over ten years.

Recent Borrowings

During the 39 weeks ended November 2, 2013, \$35.0 million was drawn on the \$400 million Credit Facility. Repurchase of shares and seasonal builds in accounts receivable and inventory resulted in the need for short term borrowing. We anticipate repayment in the fourth quarter as cash collection from holiday sales are realized. As of November 2, 2013, the Company was in compliance with all debt covenants.

Movement in cash and indebtedness

Cash and cash equivalents at November 2, 2013 were \$87.8 million compared to \$166.0 million as of October 27, 2012; see non-GAAP measures discussed herein. Signet has significant amounts of cash and cash equivalents invested in various AAA rated liquidity funds and at a number of financial institutions. The amount invested in each liquidity fund or at each financial institution takes into account the credit rating and size of the liquidity fund or financial institution and is invested for short-term durations.

Signet maintains its \$400 million Credit Facility which, at November 2, 2013 \$35.0 million was outstanding, with no intra-period borrowings and was undrawn with no intra-period borrowings as of October 27, 2012. Signet had stand-by letters of credit of \$9.5 million and \$8.2 million as of November 2, 2013 and October 27, 2012, respectively.

OBLIGATIONS AND COMMITMENTS

Signet's contractual obligations and commitments at November 2, 2013 and the effects such obligations and commitments are expected to have on Signet's liquidity and cash flows in future periods have not changed materially outside the ordinary course from those disclosed in Signet's Annual Report on Form 10-K for the year ended February 2, 2013, filed with the SEC on March 28, 2013.

SEASONALITY

Signet's sales are seasonal, with the first and second quarters each normally accounting for slightly more than 20% of annual sales, the third quarter a little under 20% and the fourth quarter for about 40% of sales, with December being by far the most important month of the year. Sales made in November and December are known as the Holiday Season. Due to sales leverage, Signet's operating income is even more seasonal;

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about 45% to 50% of Signet's operating income normally occurs in the fourth quarter, comprised of nearly all of the UK division's operating income and about 40% to 50% of the US division's operating income.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with US GAAP requires management to adopt accounting policies and make significant judgments and estimates to develop amounts reflected and disclosed in the financial statements. In many cases, there are alternative policies or estimation techniques that could be used. Management maintains a process to review the application of Signet's accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a multinational organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information. There have been no material changes to the policies and estimates as discussed in Signet's Annual Report on Form 10-K for the year ended February 2, 2013, filed with the SEC on March 28, 2013.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Signet is exposed to market risk from fluctuations in foreign currency exchange rates, interest rates and precious metal prices, which could affect its consolidated financial position, earnings and cash flows. Signet manages its exposure to market risk through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. Signet uses derivative financial instruments as risk management tools and not for trading purposes.

As certain of the UK division's purchases are denominated in US dollars and its net cash flows are in pounds sterling, Signet's policy is to enter into foreign currency forward exchange contracts and foreign currency swaps to manage the exposure to the US dollar. Signet also hedges a significant portion of forecasted merchandise purchases using commodity forward contracts. These contracts are entered into with large, reputable financial institutions, thereby minimizing the credit exposure from our counterparties.

Signet has significant amounts of cash and cash equivalents invested at several financial institutions. The amount invested at each financial institution takes into account the long-term credit rating and size of the financial institution. However, with the current financial environment and the possible instability of financial institutions, Signet cannot be assured that it will not experience any losses on these balances. The interest rates earned on cash and cash equivalents will fluctuate in line with short-term interest rates.

Signet's market risk profile as of November 2, 2013 has not materially changed since February 2, 2013. The market risk profile as of February 2, 2013 is disclosed in Signet's Fiscal 2013 Annual Report on Form 10-K, filed with the SEC on March 28, 2013.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended. Based on this review, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of November 2, 2013.

Changes in Internal Control over Financial Reporting

During the third quarter of Fiscal 2014, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding legal proceedings is incorporated by reference from Note 13 of the Financial Statements set forth in Part I of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of Signet's Fiscal 2013 Annual Report on Form 10-K, filed with the SEC on March 28, 2013.

Table of Contents**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Repurchases of Equity Securities**

The following table contains the Company's repurchases of equity securities in the third quarter of Fiscal 2014:

| Period | Total number of shares purchased (1) | 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 |
|---|---|---|---|---|
| August 4, 2013 to August 31, 2013 | 240,988 | \$ 67.53 | 240,988 | \$ 308,725,225 |
| September 1, 2013 to September 28, 2013 | 130,725 | \$ 66.74 | 130,725 | \$ 300,000,133 |
| September 29, 2013 to November 2, 2013 | | \$ | | \$ 300,000,133 |
| Total | 371,713 | \$ 67.26 | 371,713 | \$ 300,000,133 |

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

ITEM 6. EXHIBITS

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

| Number | Description of Exhibits |
|---------------|---|
| 31.1* | Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2* | Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS* | XBRL Instance Document. |
| 101.SCH* | XBRL Taxonomy Extension Schema Document. |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document. |

* Filed herewith

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SIGNET JEWELERS LIMITED
(Registrant)

November 26, 2013

By: */s/ Ronald Ristau*
Ronald Ristau
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

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