SIGNET JEWELERS LTD
Form 10-K
March 24, 2016

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

FORM 10-K

x Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended January 30, 2016
Commission file number 1-32349

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

Bermuda	Not Applicable
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

Clarendon House
2 Church Street
Hamilton HM11
Bermuda
(441) 296 5872
(Address and telephone number including area code of principal executive offices)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Common Shares of $0.18 each	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ¨ No x
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 x No ¨
Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate web site, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of regulation S-K is not contained herein, and will not be contained to the best of Registrant's knowledge in definitive proxy or information statements

incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x
Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.
Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x
The aggregate market value of voting common shares held by non-affiliates of the Registrant (based upon the closing sales price quoted on the New York Stock Exchange) as of July 31, 2015 was $9,644,661,044.
Number of common shares outstanding on March 18, 2016: 78,384,481
DOCUMENTS INCORPORATED BY REFERENCE
The Registrant will incorporate by reference information required in response to Part III, Items 10-14, from its definitive proxy statement for its annual meeting of shareholders, to be held on June 17, 2016.

1

Table of Contents

SIGNET JEWELERS LIMITED
FISCAL 2016 ANNUAL REPORT ON FORM 10-K
TABLE OF CONTENTS

Table of Contents

REFERENCES

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

PRESENTATION OF FINANCIAL INFORMATION

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

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

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

Fiscal year and fourth quarter

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

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains statements which are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, based upon management’s beliefs and expectations as well as on assumptions made by and data currently available to management, appear in a number of places throughout this Annual Report on Form 10-K and include statements regarding, among other things, Signet’s results of operation, financial condition, liquidity, prospects, growth, strategies and the industry in which Signet operates. The use of the words “expects,” “intends,” “anticipates,” “estimates,” “predicts,” “believes,” “should,” “potential,” “r “forecast,” “objective,” “plan,” or “target,” and other similar expressions are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to a number of risks and uncertainties, including but not limited to general economic conditions, a decline in consumer spending, the merchandising, pricing and inventory policies followed by Signet, the reputation of Signet and its brands, the level of competition in the jewelry sector, the cost and availability of diamonds, gold and other precious metals, regulations relating to customer credit, seasonality of Signet’s business, financial market risks, deterioration in customers’ financial condition, exchange rate fluctuations, changes in Signet’s credit rating, changes in consumer attitudes regarding jewelry, management of social, ethical and environmental risks, security breaches and other disruptions to Signet’s information technology infrastructure and databases, inadequacy in and disruptions to internal controls and systems, changes in assumptions used in making accounting estimates relating to items such as extended service plans and pensions, risks relating to Signet being a Bermuda corporation, the impact of the acquisition of Zale Corporation on relationships, including with employees, suppliers, customers and competitors, the impact of stockholder litigation with respect to the acquisition of Zale Corporation, and our ability to successfully integrate Zale Corporation’s operations and to realize synergies from the transaction.

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

Table of Contents

PART I
ITEM 1. BUSINESS
OVERVIEW

Signet Jewelers Limited ("Signet" or the "Company") is the world's largest retailer of diamond jewelry. Signet is incorporated in Bermuda and its address and telephone number are shown on the cover of this document. Its corporate website is www.signetjewelers.com, from where documents that the Company is required to file or furnish with the US Securities and Exchange Commission ("SEC") may be viewed or downloaded free of charge.

On May 29, 2014, the Company acquired 100% of the outstanding shares of Zale Corporation (the "Zale Acquisition" or "Acquisition") for $1,458.0 million, including $478.2 million to extinguish Zale Corporation's existing debt. The Acquisition was funded by the Company through existing cash and the issuance of $1,400.0 million of long-term debt. The Acquisition aligned with each strategic pillar of the Company's Vision 2020. See Notes 3 and 19 of Item 8 for additional information related to the Acquisition and the issuance of long-term debt to finance the transaction, respectively.

The Company manages its business by store brand grouping, a description of which follows:

- The Sterling Jewelers division is one reportable segment. It operated 1,540 stores in all 50 US states at January 30, 2016. Its stores operate nationally in malls and off-mall locations principally as Kay Jewelers ("Kay"), Kay Jewelers Outlet, Jared The Galleria Of Jewelry ("Jared") and Jared Vault. The division also operates a variety of mall-based regional brands.
- The Zale division consists of two reportable segments:

Zale Jewelry, which operated 977 jewelry stores at January 30, 2016, is located primarily in shopping malls in North America. Zale Jewelry includes the US store brand Zales (Zales Jewelers and Zales Outlet), which operates in all 50 US states, and the Canada store brand Peoples Jewellers, which operates in nine provinces. The division also operates regional brands Gordon's Jewelers and Mappins.

Piercing Pagoda, which operated 605 mall-based kiosks at January 30, 2016, is located in shopping malls in the US and Puerto Rico.

- The UK Jewelry division is one reportable segment. It operated 503 stores at January 30, 2016. Its stores operate in shopping malls and off-mall locations (i.e. high street) principally as H.Samuel and Ernest Jones.

Certain company activities (e.g. diamond sourcing) are managed as a separate operating segment and are aggregated with unallocated corporate administrative functions in the segment "Other" for financial reporting purposes. Signet's diamond sourcing function includes our diamond polishing factory in Botswana. See Note 4 of Item 8 for additional information regarding the Company's reportable segments.

MISSION, STRATEGY, COMPETITIVE STRENGTHS AND OBJECTIVES

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

- Maximize mid-market
- Best in bridal
- Best in class digital ecosystem
- Expand footprint
- People, purpose and passion

These strategic pillars guide Signet in building profitable market share. Maximizing the mid-market drives our competitive strengths focused on merchandising initiatives, marketing, store growth and productivity. We define the mid-market jewelry sector based on the value of products that consumers purchase. We consider this market to be defined by jewelry purchases with price points ranging from $100 to $10,000, which essentially excludes costume and luxury jewelry categories. The vast majority of Signet's sales (95%) are in this range of price points. This subset of the total US jewelry market is $41.2 billion or over half the total US market. In pursuit of this strategic pillar, we continuously review our US national store brands performance and have concluded that our customer population has several distinct shopping and purchasing characteristics or customer identities. Consequently, we attempt to maximize our share of the mid-market by differentiating customers based on attitudes and behaviors, versus demographic information. This approach to customer segmentation results in distinct customer identities:

- The “Sentimentalist” - a seeker of high-quality, timeless jewelry which invokes sentimental value.
- The “Gifter” - a customer that is not highly knowledgeable of jewelry but purchases for others.

Table of Contents

- The "Influencer" - a customer that uses jewelry to show status and is knowledgeable of brands. The Influencer is a customer focused on both self-purchase and gifting.
- The "Stylish Shopper" - a customer that wears jewelry often and considers it an essential aspect of fashion.
- The "Practical Shopper" - a customer that focuses on inexpensive, everyday jewelry.

Although each of our US national store brand customers share many of these five customer traits, each store brand attracts a heavier weighting of certain types of customers. This customer segmentation approach empowers Signet to define our highest-priority growth opportunities within the mid-market (i.e., where Signet will play), to differentiate and optimize our store brands, including guest experience, merchandise brands and marketing.

Our brand discussion included within Item 1 includes alignment of these customer identities with our US national store brands.

Being the best in bridal is an ongoing journey, not a destination. In jewelry, bridal represents the closest thing to a necessity for our customers. We continuously look to develop differentiated bridal jewelry products, increasing targeted marketing programs, delivering the best guest experience by our sales associates, advancing vertical integration in our supply chain and offering credit financing. Our omni-channel approach to educating, selling and serving of customers is uniquely important in jewelry retail because the purchase of jewelry is personal, intimate and typically viewed as an important experience. The internet often represents the first interaction a customer or prospective guest will have with us when a jewelry-buying occasion arises. As trust is the most important factor in why people buy jewelry where they do, customers overwhelmingly complete their purchases in our stores with our trusted knowledgeable sales associates. Enhancing our digital eco-system and simplifying and accelerating our guest's engagement with our brands is a crucial step of our omni-channel approach. Expanding our geographic footprint is expected to enable cross-collaboration among and between our domestic and international teams and further growth and diversification of our real estate portfolio. In order to truly accomplish our core mission of helping our guests "Celebrate Life and Express Love," we must have people with high capability and passion. We will continue our efforts to attract, develop and retain the best and the brightest individuals in the jewelry and watch industry.

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

Competition

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

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

Operational Strategy

In setting financial objectives for Fiscal 2017, consideration was given to several factors including the Zale integration, Signet's Vision 2020 strategy and the economic environments in which the Company does business. The economies of the US, Canada and UK have improved slightly over the past year due to relatively low unemployment, inflation, interest rates and energy prices, offset by higher food and health care costs and higher consumer savings.

Certain sectors of the U.S. and Canadian economies have declined during Fiscal 2016, including the Oil & Gas industry. We believe this decline has had a disproportionate impact within our Zale Jewelry segment due to the concentration of retail locations within affected regions such as Edmonton, Calgary, the “Dakota’s” region (Southern Saskatoon, North Dakota and Western Colorado), West Texas, and the Houston region.

Signet will execute on its strategic priorities and continue to make strategic investments for the future. The cost of diamonds, Signet’s most significant input cost, is currently expected to increase at low-to-mid single digit rates.

Consumer credit is important for Signet. Signet takes a hybrid approach to credit by assuming the risk and reward of owning in-house accounts receivable for its Sterling Jewelers division while primarily using third party financing programs for its other divisions. Financing will continue to support sales growth and we expect the receivables portfolio to grow and perform strongly. Signet intends to improve results through realization of synergies associated with the Zale Acquisition and other initiatives around merchandising, real estate optimization, channel expansion and cost control.

Table of Contents

Signet's goal in Fiscal 2017 is to deliver strong results building on our recent performance, while making strategic investments necessary for future growth. Financial objectives for the business in Fiscal 2017 are to position the Company for long-term growth by:

- Expanding our gross margin rate through higher sales and realization of synergies.
- Leveraging our selling, general and administrative expense to sales ratio, by executing effective multi-channel marketing programs, through implementing organizational design efficiencies and workforce management.
- Gaining profitable market share through brand differentiation and market segmentation, product cost control and asset management.
- Advancing our integration activities of Zale, including continued realization of cost and operating synergies. Signet anticipates realizing $225 million to $250 million in cumulative 3-year synergies through January 2018. Approximately 70% of that cumulative goal is expected to be realized by the end of Fiscal 2017.
- Investing $315 to $365 million of capital in new stores, store remodels, enhancing information technology infrastructure to drive future growth and expanding our Akron-based store support center.

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

Capital Strategy

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

- Achieve adjusted debt[1]/ adjusted EBITDAR[1] ("adjusted leverage ratio") of 3.5x or below. This would allow the Company to utilize available sources of debt in Fiscal 2017 and beyond.
- Distribute 70% to 80% of annual free cash flow[1] in the form of stock repurchases or dividends assuming no other strategic uses of capital.
- Consistently increase the dividend annually assuming no other strategic uses of capital.

The Company has a remaining share repurchase authorization as of the end of Fiscal 2016 of $135.6 million. In February 2016, the Company's Board of Directors authorized an additional $750 million of share repurchases to be executed in a manner that aligns with leverage and free cash flow targets.

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

BACKGROUND

Operating segments

The business is managed as five reportable segments: the Sterling Jewelers division (60.9% of sales and 102.1% of operating income), the Zale division, which is comprised of the Zale Jewelry segment (23.9% of sales and 6.3% of operating income) and the Piercing Pagoda segment (3.7% of sales and 1.1% of operating income) and the UK Jewelry division (11.3% of sales and 8.7% of operating income). All divisions are managed by an executive committee, which is chaired by Signet's Chief Executive Officer, who reports to the Board of Directors of Signet (the "Board"). The executive committee is responsible for operating decisions within parameters established by the Board. Additionally, as a result of the acquisition of a diamond polishing factory in Gaborone, Botswana in Fiscal 2014, management established a separate reportable segment ("Other") (0.2% of sales and (18.2)% of operating income). Other consists of all non-reportable segments, including subsidiaries involved in the purchasing and conversion of rough diamonds to polished stones and unallocated corporate administrative function. See Note 4 of Item 8 for additional information regarding the Company's segments.

Trademarks and trade names

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

- Kay Jewelers®; Kay Jewelers Outlet®; Jared The Galleria Of Jewelry®; Jared Vault™; Jared Jewelry Boutique™; JB Robinson® Jewelers; Marks & Morgan Jewelers®; Every kiss begins with Kay®; He went to Jared®; Celebrate Life. Express Love.®; the Leo® Diamond; Hearts Desire®; Artistry Diamonds®; Charmed Memories®; Diamonds in Rhythm®; Open Hearts by Jane Seymour®; Radiant Reflections®; Colors in Rhythm®; Chosen by Jared™; Now and Forever®; and Ever Us™.

Table of Contents

- Zales®; Zales Jewelers™; Zales the Diamond Store®; Zales Outlet®; Gordon's Jewelers®; Peoples Jewellers®; Peoples the Diamond Store®; Peoples Outlet the Diamond Store®; Mappins®; Piercing Pagoda®; Arctic Brilliance Canadian Diamonds®; Candy Colored Jewelry®; Celebration Diamond®; The Celebration Diamond Collection®; Unstoppable Love®; and Endless Brilliance®.
- H.Samuel; Ernest Jones; Ernest Jones Outlet Collection; Leslie Davis; and Forever Diamonds.

Store locations

Signet operates retail jewelry stores in a variety of real estate formats including mall-based, free-standing, strip center and outlet store locations. As of January 30, 2016, Signet operated 3,625 stores and kiosks across 5.0 million square feet of retail space. This represented an increase of 1.3% and 3.3% in locations and retail space, respectively, due to new store growth. During Fiscal 2016, Signet opened 108 stores and closed 62 stores. Store locations by country and territory, as of January 30, 2016, are as follows:

	Sterling Jewelers division				Zale division						UK Jewelry division			Signet
	Kay	Jared	Regional brands	Total	Zales	Peoples	Regional brands	Total Zale Jewelry	Piercing Pagoda	Total	H.Samuel	Ernest Jones	Total	Total stores
US	1,129	270	141	1,540	720	—	58	778	591	1,369	—	—	—	2,909
Canada	—	—	—	—	—	145	43	188	—	188	—	—	—	188
Puerto Rico	—	—	—	—	10	—	1	11	14	25	—	—	—	25
United Kingdom	—	—	—	—	—	—	—	—	—	—	279	195	474	474
Republic of Ireland	—	—	—	—	—	—	—	—	—	—	20	6	26	26
Channel Islands	—	—	—	—	—	—	—	—	—	—	2	1	3	3
Total	1,129	270	141	1,540	730	145	102	977	605	1,582	301	202	503	3,625

7

Table of Contents

Store locations by US state, Canadian province and Puerto Rico, as of January 30, 2016, are as follows:

	Sterling Jewelers division				Zale division						Signet
	Kay	Jared	Regional brands	Total	Zales	Peoples	Regional brands	Total Zale Jewelry	Piercing Pagoda	Total	Total Stores
Alabama	23	2	4	29	12	—	—	12	2	14	43
Alaska	3	—	1	4	2	—	—	2	—	2	6
Arizona	19	9	1	29	15	—	—	15	12	27	56
Arkansas	8	1	—	9	10	—	4	14	—	14	23
California	79	18	3	100	59	—	—	59	34	93	193
Colorado	16	6	2	24	16	—	—	16	4	20	44
Connecticut	13	2	2	17	9	—	—	9	14	23	40
Delaware	4	2	—	6	4	—	2	6	6	12	18
Florida	81	23	9	113	56	—	5	61	70	131	244
Georgia	48	13	4	65	19	—	—	19	8	27	92
Hawaii	7	—	—	7	7	—	—	7	—	7	14
Idaho	4	1	—	5	1	—	—	1	—	1	6
Illinois	44	12	5	61	26	—	—	26	21	47	108
Indiana	26	6	7	39	12	—	—	12	11	23	62
Iowa	15	1	1	17	6	—	—	6	4	10	27
Kansas	9	2	—	11	7	—	—	7	4	11	22
Kentucky	19	3	6	28	8	—	—	8	7	15	43
Louisiana	16	3	1	20	16	—	8	24	—	24	44
Maine	6	1	1	8	1	—	—	1	2	3	11
Maryland	30	9	7	46	14	—	—	14	22	36	82
Massachusetts	24	5	3	32	10	—	—	10	26	36	68
Michigan	39	9	8	56	21	—	—	21	10	31	87
Minnesota	17	5	3	25	9	—	—	9	8	17	42
Mississippi	13	—	—	13	8	—	—	8	—	8	21
Missouri	18	5	—	23	12	—	1	13	6	19	42
Montana	3	—	—	3	1	—	—	1	—	1	4
Nebraska	7	—	—	7	3	—	—	3	1	4	11
Nevada	11	3	1	15	6	—	2	8	5	13	28
New Hampshire	11	4	2	17	6	—	—	6	8	14	31
New Jersey	31	7	—	38	20	—	—	20	31	51	89
New Mexico	5	1	—	6	9	—	4	13	4	17	23
New York	65	9	4	78	40	—	—	40	65	105	183
North Carolina	42	12	1	55	18	—	1	19	19	38	93
North Dakota	4	—	—	4	4	—	—	4	—	4	8
Ohio	57	17	27	101	13	—	—	13	23	36	137
Oklahoma	8	2	—	10	10	—	5	15	—	15	25
Oregon	15	3	1	19	5	—	—	5	4	9	28
Pennsylvania	61	11	7	79	36	—	1	37	62	99	178
Rhode Island	3	1	—	4	1	—	—	1	3	4	8
South Carolina	25	4	2	31	9	—	—	9	6	15	46
South Dakota	2	—	—	2	3	—	—	3	1	4	6
Tennessee	25	8	4	37	17	—	1	18	3	21	58

Table of Contents

Texas	71	30	—	101	97	—	24	121	21	142	243
Utah	10	3	—	13	3	—	—	3	3	6	19
Vermont	2	—	—	2	1	—	—	1	1	2	4
Virginia	39	10	7	56	27	—	—	27	26	53	109
Washington	19	3	7	29	14	—	—	14	10	24	53
West Virginia	10	—	6	16	6	—	—	6	11	17	33
Wisconsin	20	4	4	28	8	—	—	8	13	21	49
Wyoming	2	—	—	2	3	—	—	3	—	3	5
US	1,129	270	141	1,540	720	—	58	778	591	1,369	2,909
Alberta	—	—	—	—	—	24	8	32	—	32	32
British Columbia	—	—	—	—	—	23	4	27	—	27	27
Manitoba	—	—	—	—	—	5	1	6	—	6	6
New Brunswick	—	—	—	—	—	4	—	4	—	4	4
Newfoundland	—	—	—	—	—	2	—	2	—	2	2
Nova Scotia	—	—	—	—	—	8	2	10	—	10	10
Ontario	—	—	—	—	—	68	27	95	—	95	95
Prince Edward Island	—	—	—	—	—	2	1	3	—	3	3
Saskatchewan	—	—	—	—	—	9	—	9	—	9	9
Canada	—	—	—	—	—	145	43	188	—	188	188
Puerto Rico	—	—	—	—	10	—	1	11	14	25	25
Total North America	1,129	270	141	1,540	730	145	102	977	605	1,582	3,122

Guest experience

The guest experience is an essential element in the success of our business and Signet strives to continually improve the quality of the guest experience. Therefore the ability to recruit, develop and retain qualified sales associates is an important element in enhancing guest satisfaction. We have in place comprehensive recruitment, training, and incentive programs. We use employee and guest satisfaction metrics to monitor and improve performance, as well as conducting an annual flagship training conference ahead of the holiday season.

Digital ecosystem

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

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

- Optimization of brand websites for both desktop and mobile devices with improved functionality in product search and navigation;
- Increased merchandise assortment;
- Investments in social media, including Facebook, Instagram and Twitter, as well as a YouTube channel; and
- Improvements in store broadband to enhance in-store eCommerce sales.

Signet's supplier relationships allow it to display suppliers' inventories on the brand websites for sale to guests without holding the items in its inventory until the products are ordered by guests, which are referred to as "virtual inventory." Virtual inventory expands the choice of merchandise available to guests both online and in-store.

Table of Contents

Raw materials

The jewelry industry generally is affected by fluctuations in the price and supply of diamonds, gold and, to a much lesser extent, other precious and semi-precious metals and stones. Diamonds account for about 45%, and gold about 14%, of Signet's cost of merchandise sold, respectively.

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

Diamond sourcing

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

Finished jewelry

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

Loose diamonds

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

Rough diamonds

Signet continues to take steps to advance its vertical integration, which includes rough diamond sourcing and manufacturing. Signet's objective with this initiative is to secure additional, reliable and consistent supplies of diamonds for guests of all divisions while achieving further efficiencies in the supply chain. In Fiscal 2014, Signet acquired a diamond polishing factory in Gaborone, Botswana and established a diamond buying office in India. In Fiscal 2015, Signet was appointed a sightholder by DeBeers, which further increased Signet's supply of rough diamonds. As of Fiscal 2016, Signet has contracted allocations of rough diamonds with Rio Tinto, DeBeers and Alrosa. These developments in Signet's long-term diamond sourcing capabilities allow Signet to buy rough diamonds directly from the miners and then have the stones marked, cut and polished in its own polishing facility. Any stones deemed unsuitable for Signet's needs are sold to third parties with the objective of recovering the original cost of the stones. Signet's sourcing initiative is primarily focused on supplying the diamond needs of the Sterling Jewelers division and has since been expanded to include all Signet divisions.

Merchandising and purchasing

Management believes that a competitive strength is our industry-leading merchandising. Merchandise selection, innovation, availability and value are all critical success factors for its business. The range of merchandise offered and the high level of inventory availability are supported centrally by extensive and continuous research and testing. Signet established a jewelry design center in New York which evaluates global design trends, innovates, and helps our merchant teams develop new jewelry collections that resonate with guests. An example of the design center's work was the launch of the Ever Us collection.

Ever Us was the biggest product introduction in our history. It is an example of Signet creating a trend in the jewelry industry which is a unique advantage that we possess as the largest diamond retailer in the world. Led by our New York-based design office, we identified a need in the jewelry industry through market research and developed the Ever Us collection which continues to be consistently marketed and tagged with each of our national store banners. The two-stone diamond ring, positioned to be for one's "best friend and true love," serves a variety of gift-giving occasions in the lives of couples. Launched in October 2015, Ever Us was purchased for anniversaries, birthdays, special mother-daughter events, and even engagement in some cases.

Best-selling products are identified and replenished rapidly through analysis of sales by stock keeping unit. This approach enables Signet to deliver a focused assortment of merchandise to maximize sales and inventory turn, and minimize the need for discounting. Signet believes it is better able to offer greater value and consistency of merchandise than its competitors, due to its supply chain strengths. In addition, in recent years management has continued to develop, refine and execute a strategy to increase the proportion of branded differentiated and exclusive merchandise sold, in response to guest demand.

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

Table of Contents

Merchandise mix

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

	Sterling Jewelers division	Zale division	UK Jewelry division	Total Signet
Fiscal 2016				
Diamonds and diamond jewelry	77 %	61 %	34 %	65 %
Gold and silver jewelry, including charm bracelets	9 %	27 %	16 %	9 %
Other jewelry	8 %	9 %	18 %[1]	17 %
Watches	6 %	3 %	32 %	9 %
	100 %	100 %	100 %	100 %
Fiscal 2015				
Diamonds and diamond jewelry	76 %	61 %	31 %	63 %
Gold and silver jewelry, including charm bracelets	10 %	26 %	19 %	14 %
Other jewelry	8 %	9 %	17 %[1]	11 %
Watches	6 %	4 %	33 %	12 %
	100 %	100 %	100 %	100 %
Fiscal 2014				
Diamonds and diamond jewelry	75 %	n/a	30 %	64 %
Gold and silver jewelry, including charm bracelets	11 %	n/a	19 %	15 %
Other jewelry	8 %	n/a	18 %[1]	8 %
Watches	6 %	n/a	33 %	13 %
	100 %	n/a	100 %	100 %

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

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

The bridal category, which includes engagement, wedding and anniversary purchases, is predominantly diamond jewelry. The bridal category experiences stable demand, but is still dependent on the economic environment as guests can trade up or down price points depending on their available budget. In Fiscal 2016, bridal growth was driven primarily by the branded bridal portfolio and bridal represented approximately 50% of Signet's total merchandise sales. Customer financing is an important element in enabling Signet's bridal business.

Gift giving is particularly important during the Holiday Season, Valentine's Day and Mother's Day. In Fiscal 2016, Signet had several successful fashion jewelry collections including Ever Us™, Diamonds in Rhythm® and Unstoppable Love® (not all collections are sold in every store brand).

A further categorization of merchandise is non-branded merchandise, third party branded, as well as branded differentiated and exclusive. Non-branded merchandise includes items and styles such as bracelets, gold necklaces, solitaire diamond rings, and diamond stud earrings. Third party branded merchandise includes mostly watches, but also includes ranges of charm bracelets. Branded differentiated and exclusive merchandise are items that are branded and exclusive to Signet within its marketplaces, or that are not widely available in other jewelry retailers.

Branded differentiated and exclusive ranges

Management believes that the development of branded differentiated and exclusive merchandise raises the profile of Signet's stores, helps to drive sales and provides its well-trained sales associates with a powerful selling proposition. National television advertisements include elements that drive brand awareness and purchase intent of these ranges. Management believes that Signet's scale and proven record of success in developing branded differentiated and exclusive merchandise attracts offers of such programs from jewelry manufacturers, designers and others ahead of competing retailers, and enables it to leverage its supply chain strengths. Management plans to develop additional branded differentiated and exclusive ranges as appropriate and to further expand and refine those already launched.

Branded differentiated and exclusive merchandise offered in our various store brands includes:

- Artistry Diamonds®, genuine diamonds in an ultimate palette of colors;
- Celebration Diamond® Collection, diamond jewelry that has been expertly cut to maximize its brilliance and beauty;

- Charmed Memories®, a create your own charm bracelet collection;
- Diamonds in Rhythm®, diamonds set at a precise angle to allow for continuous movement of the center diamond and amazing effect;
- Ever Us™, a collection of two stone rings, with one diamond for your best friend, one diamond for your true love;

11

- Jared Vivid® Diamonds, the brilliance of diamonds combined with the vitality of color;
- Le Vian®exclusive collections of jewelry, famed for its handcrafted unique designs and colors;
- Leo Diamond® collection, the first diamond to be independently and individually certified to be visibly brighter;
- Lois Hill®, reaches back through the centuries and across the globe to create her collection of jewelry;
- Miracle Links®, a collection designed with interlinking circles to symbolize the unique connection between a mother and her child;
- Neil Lane Bridal®, a vintage-inspired bridal collection by the celebrated jewelry designer Neil Lane;
- Neil Lane Designs®, hand-crafted diamond rings, earrings and necklaces inspired by Hollywood’s glamorous past;
- Open Hearts by Jane Seymour®, a collection of jewelry designed by the actress and artist Jane Seymour;
- Tolkowsky®, an ideal cut diamond “Invented by Tolkowsky, Perfected by Tolkowsky®”;
- Unstoppable Love®, features shimmering diamonds in movable settings that sparkle with every turn;
- Vera Wang LOVE® collection, bridal jewelry designed by the most recognizable name in the wedding business, Vera Wang.

Merchandise held on consignment

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

Suppliers

In Fiscal 2016, the five largest suppliers collectively accounted for 16.5% of total purchases, with the largest supplier comprising 3.9%. Signet transacts business with suppliers on a worldwide basis at various stages of the supply chain with third party diamond cutting and jewelry manufacturing being predominantly carried out in Asia.

Marketing and advertising

Customers’ confidence in our retail brands, store brand name recognition and advertising of branded differentiated and exclusive ranges are important factors in determining buying decisions in the jewelry industry where the majority of merchandise is unbranded. Therefore, Signet continues to strengthen and promote its store brands and merchandise brands by delivering superior customer service and building brand name recognition. The marketing channels used include television, digital media (desktop, mobile and social), radio, print, catalog, direct mail, point of sale signage and in-store displays, as well as coupon books and outdoor signage for the Outlet channels, leading to an omni-channel approach.

While marketing activities are undertaken throughout the year, the level of activity is concentrated at periods when guests are expected to be most receptive to marketing messages, which is ahead of Christmas Day, Valentine’s Day and Mother’s Day. Recent efforts focused in the Fall season with a focus on bridal marketing (“Engagement Season”) have been successful and an increased level of sales activity has been generated during this period of the year. A significant majority of the expenditure is spent on national television advertising, which is used to promote the store brands. Within such advertisements, Signet also promotes certain merchandise ranges, in particular its branded differentiated and exclusive merchandise and other branded products. Statistical and technology-based systems are employed to support customer relationship marketing programs that use a proprietary database to build guest loyalty and strengthen the relationship with guests through mail, telephone, email and social media communications. The programs target current guests with special savings and merchandise offers during key sales periods. Our targeted marketing efforts are aligned with our customer segmentation approach which, as discussed previously, differentiates our brands by focusing on customer attitudes and behaviors, rather than demographic information. In addition, invitations to special in-store promotional events are extended throughout the year.

Table of Contents

Details of gross advertising, advertising before vendor contributions, by division is shown below:

	Fiscal 2016		Fiscal 2015		Fiscal 2014	
	Gross advertising spending (in millions)	as a % of divisional sales	Gross advertising spending (in millions)	as a % of divisional sales	Gross advertising spending (in millions)	as a % of divisional sales
Sterling Jewelers division	$261.2	6.5 %	$246.6	6.6 %	$233.6	6.6 %
Zale division	98.7	5.4 %	64.6	5.3 %	n/a	n/a
UK Jewelry division	24.3	3.3 %	21.8	2.9 %	20.2	3.0 %
Signet	$384.2	5.9 %	$333.0	5.8 %	$253.8	6.0 %

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

Customer finance

In our North American markets, we sell our products for cash and for payment through major credit cards and third-party financing like PayPal. In addition, we offer our customers financing through proprietary credit programs that are provided either in-house or through outsourced relationships with selected major lenders.

Our consumer credit programs are an integral part of our business and enable incremental sales as well as building customer loyalty. We also generate revenues from finance charges and other fees on these credit programs. In addition, we save on interchange fees that Signet would incur if our customers used major credit cards only.

Real estate

Management has specific operating and financial criteria that have to be satisfied before investing in new stores or renewing leases on existing stores. Substantially all the stores operated by Signet are leased. In Fiscal 2016, global net store space increased 3.3% as a result of new store growth. The greatest opportunity for new stores is in locations outside traditional covered malls.

Recent investment in the store portfolio is set out below:

(in millions)	Sterling Jewelers division	Zale division	UK Jewelry division	Total Signet
Fiscal 2016				
New store capital investment	$48.3	$12.1	$3.3	$63.7
Remodels and other store capital investment	50.6	25.0	16.3	91.9
Total store capital investment	$98.9	$37.1	$19.6	$155.6
Fiscal 2015				
New store capital investment	$52.6	4.4	$2.4	$59.4
Remodels and other store capital investment	52.6	15.1	11.3	79.0
Total store capital investment	$105.2	$19.5	$13.7	$138.4
Fiscal 2014				
New store capital investment	$54.0	n/a	$1.5	$55.5
Remodels and other store capital investment	46.3	n/a	10.3	56.6
Total store capital investment	$100.3	n/a	$11.8	$112.1

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

Seasonality

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

of the Sterling Jewelers division’s annual operating income.

Table of Contents

Employees

In Fiscal 2016, the average number of full-time equivalent persons employed was 29,057. In addition, Signet usually employs a limited number of temporary employees during its fourth quarter. None of Signet's employees in the UK and less than 1% of Signet's employees in the US and Canada are covered by collective bargaining agreements. Signet considers its relationship with its employees to be excellent.

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Average number of employees:[(1)]			
Sterling Jewelers	16,140	16,147	14,829
Zale[(2)]	9,309	9,241	n/a
UK Jewelry	3,370	3,292	3,104
Other[(3)]	238	269	246
Total	29,057	28,949	18,179

(1) Full-time equivalents ("FTEs").
(2) Includes 1,585 FTEs employed in Canada.
(3) Includes corporate employees and employees employed at the diamond polishing plant located in Botswana.
n/a Not applicable as Zale division was acquired on May 29, 2014.

Regulation

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

Markets

Signet operates in the US, Canada and UK markets.

In 2015, we concluded a market and customer segmentation study in the US and validated that Signet's long-term growth opportunities should be directed to the mid-market. Instead of basing our view on the household income of consumers, we refined our mid-market thinking according to the value of the products they buy. From that perspective, mid-market jewelry represents products in the $100 to $10,000 range — essentially excluding costume and luxury. Ninety-five percent of Signet's merchandise sales land within that range. In total, the mid-market in the US, which is a subset of the total US jewelry industry that excludes costume jewelry and luxury jewelry, is approximately $41 billion. Signet sees the mid-market of the industry as its core market.

US

According to the US Bureau of Economic Analysis and Census Bureau, the total jewelry and watch market was approximately $75 billion at the end of 2015, up approximately 2% from the prior year. This implies a Signet jewelry market share of more than 7%. Since 2000, the industry average annual growth rate is 3.2%. Nearly 85% of the market is represented by jewelry with the balance being watches. There were nearly 21,000 jewelry stores in the country, down approximately 1% from the prior year.

Canada

The jewelry market in Canada, according to Euromonitor, has grown steadily over the past five years, rising to an estimated C$7.2 billion in 2014, the latest data available to Signet. This represents a compound annual growth rate of 4.6%. Euromonitor estimates that 2014 was up 3% in dollars and 2% in units.

UK

In the UK, the jewelry and watch market stands at about £4.1 billion, according to Mintel. That market saw a recovery in 2015 with growth of 1.2%. Self-purchasing among young women and gifting among men represent the largest parts of the precious jewelry market. The growth represents a slight slowdown from that achieved in 2014 due to a shift towards lighter-weight pieces and a decrease in average selling prices.

Table of Contents

STERLING JEWELERS DIVISION
Sterling Jewelers store brand reviews
Store activity by brand

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Kay	42	58	63
Jared	18	17	13
Regional brands	—	—	35 [1]
Total stores opened or acquired during the year	60	75	111
Kay	(7)	(20)	(22)
Jared	(1)	—	—
Regional brands	(16)	(22)	(61) [1]
Total stores closed during the year	(24)	(42)	(83)
Kay	—	1	65
Jared	—	33	—
Regional brands	—	(34)	(65)
Total logo conversions	—	—	—
Kay	1,129	1,094	1,055
Jared	270	253	203
Regional brands	141	157	213
Total stores open at the end of the year	1,540	1,504	1,471
Kay	$2.178	$2.112	$2.033
Jared[2]	$4.650	$4.794	$5.299
Regional brands	$1.333	$1.318	$1.243
Average sales per store (millions)[3]	$2.518	$2.467	$2.361
Kay	1,697	1,597	1,489
Jared	1,153	1,089	983
Regional brands	175	196	276
Total net selling square feet (thousands)	3,025	2,882	2,748
Increase in net store selling space	5.0%	4.9%	4.8%

(1) Includes the remaining 30 Ultra stores not converted to the Kay brand in Fiscal 2014.
(2) Includes sales from all Jared store formats, including the smaller square footage and lower average sales per store concepts of Jared 4.0, Jared Jewelry Boutique and Jared Vault.
(3) Based only upon stores operated for the full fiscal year and calculated on a 52-week basis.

Table of Contents

Sales data by brand

		Change from previous year	
Fiscal 2016	Sales (millions)	Total sales	Same store sales
Kay	$2,530.3	7.8 %	5.7 %
Jared	1,252.9	5.0 %	0.6 %
Regional brands	205.5	(8.7)%	(1.2)%
Sterling Jewelers	$3,988.7	5.9 %	3.7 %

Kay Jewelers

Kay accounted for 39% of Signet's sales in Fiscal 2016 (Fiscal 2015: 41%) and operated 1,129 stores in 50 states as of January 30, 2016 (January 31, 2015: 1,094 stores). Since 2004, Kay has been the largest specialty retail jewelry store brand in the US based on sales, and has subsequently increased its leadership position. Like the rest of our store banners, Kay targets a mid-market jewelry customer. But where Kay differs is that it particularly targets a customer, we identify as a "gifter," who knows they need to buy jewelry but does not enjoy shopping and needs help to get it done right.

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

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Sales (millions)	$2,530.3	$2,346.2	$2,157.8
Average sales per store (millions)	$2.178	$2.112	$2.033
Stores at year end	1,129	1,094	1,055
Total net selling square feet (thousands)	1,697	1,597	1,489

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

The following table summarizes the current composition of stores as of January 30, 2016 and net openings (closures) in the past three years:

	Stores at	Net openings (closures)		
	January 30, 2016	Fiscal 2016	Fiscal 2015	Fiscal 2014
Mall	755	6	2	5
Off-mall and outlet	374	29	37	101
Total	1,129	35	39	106

Jared The Galleria Of Jewelry

With 270 stores in 40 states as of January 30, 2016 (January 31, 2015: 253 stores), Jared is a leading off-mall destination specialty retail jewelry store chain, based on sales. Jared accounted for 19% of Signet's sales in Fiscal 2016 (Fiscal 2015: 21%). The first Jared store was opened in 1993, and since its roll-out began in 1998, it has grown to become the fourth largest US specialty retail jewelry brand by sales. Like the rest of our store banners, Jared targets a mid-market jewelry customer. But where Jared differs is that it particularly targets a customer, we identify as a "sentimentalist," who enjoys shopping for jewelry and cares very much about the details of the product and shopping process.

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

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Sales (millions)	$1,252.9	$1,188.8	$1,064.7

Average sales per store (millions)[1][2]	$4.650	$4.794	$5.299
Stores at year end	270	253	203
Total net selling square feet (thousands)	1,153	1,089	983

(1) In Fiscal 2016 and Fiscal 2015, average sales per store reflect the impact of Jared outlet and mall store concepts.
(2) Includes sales from all Jared store formats, including the smaller square footage and lower average sales per store concepts of Jared 4.0, Jared Jewelry Boutique and Jared Vault.

Table of Contents

Jared offers superior guest service and enhanced selection of merchandise. Every Jared store has an on-site design and service center where most repairs are completed within the same day. Each store also has at least one diamond salon, a children's play area, and complimentary refreshments.

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

Jared also operates Jared Jewelry Boutiques within malls. These mall stores have a smaller footprint than standard Jared locations and generally less than 2,000 square feet of selling space. In addition, a similar off-mall concept known as Jared 4.0 is being tested currently, which allows for more store openings in smaller markets, expands the Jared brand and increases the return on Jared advertising investment. Finally, Jared operates an outlet-mall concept known as Jared Vault. These stores, converted from a previous outlet store acquisition, are smaller than off-mall Jareds and offer a mix of identical products as Jared as well as different, outlet-specific products at lower prices.

The following table summarizes the current composition of stores as of January 30, 2016 and net openings (closures) in the past three years:

	Stores at January 30, 2016	Net openings (closures) Fiscal 2016	Fiscal 2015	Fiscal 2014
Mall	11	3	8	—
Off-mall and outlet	259	14	42	13
Total	270	17	50	13

Sterling Jewelers regional brands

The Sterling Jewelers division also operates mall stores under a variety of established regional nameplates. Regional brands in the Sterling Jewelers division accounted for 3% of Signet's sales in Fiscal 2016 (Fiscal 2015: 4%) and as of January 30, 2016, include 141 regional brand stores in 31 states (January 31, 2015: 157 stores in 32 states). The leading brands include JB Robinson Jewelers, Marks & Morgan Jewelers and Belden Jewelers. Also included in the regional nameplates are Goodman Jewelers, LeRoy's Jewelers, Osterman Jewelers, Rogers Jewelers, Shaw's Jewelers and Weisfield Jewelers. The Company expects the number of regional brands locations to continue to decline through conversion to national store brands or through closure upon lease expiration.

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

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Sales (millions)	$205.5	$230.0	$295.1
Average sales per store (millions)	$1.333	$1.318	$1.243
Stores at year end	141	157	213
Total net selling square feet (thousands)	175	196	276

Sterling Jewelers operating review

Other sales

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

Repair services represent less than 5% of sales and approximately 30% of transactions and are an important opportunity to build customer loyalty. The Jared Design & Service Centers, open the same hours as the store, support other Sterling Jewelers and approximately 200 Zale division stores' repair business.

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

Table of Contents

Consumer finance

General

Our in-house consumer financing program provides Signet with a competitive advantage through the enabling of incremental profitable sales that would not occur without a consumer financing program. Several factors inherent in the US jewelry business support the circumstances through which Signet is uniquely positioned to generate profitable incremental business through its consumer financing program. These factors include a high average transaction value; a significant population of customers seeking to finance merchandise primarily in the bridal category; and the minimum scale necessary to administer credit programs efficiently. In addition, our credit program provides other benefits to our business overall, including:

- complementing our "Best in Bridal" strategy in that 50% of merchandise sales are bridal and 75% of Sterling Jewelers division bridal sales utilize our credit as form of tender;
- retaining of control in establishing high levels of service in managing the accounts receivable portfolio;
- providing a database of regular guests and spending habits; and
- establishing collection policies designed to minimize risk and maximize future sales as opposed to a focus on maximizing earnings from outstanding balances.

The lifetime value of a customer obtained through the in-house credit program is estimated to be 3.5 times that of a customer not obtained through the in-house credit program. For our in-house credit program, as of January 30, 2016 and January 31, 2015, 52.7% and 50.5%, respectively, of balances due were from customers who were acquired as users of our credit program more than 12 months prior to their most recent purchase.

Our in-house consumer financing program has been centralized since 1990 and is fully integrated into the management of the Sterling Jewelers division. It is not a separate operating division nor does it report separate results. Investments are geared towards best in class technology, system support and strategy analytics with the objective of maximizing efficiency and effectiveness, resulting in continuous optimization of profitable sales enabled by the program. All assets and liabilities relating to consumer financing are shown on the balance sheet and there are no associated off-balance sheet arrangements. In addition to interest-bearing transactions that involve the use of in-house customer finance, a portion of credit sales are made using interest-free financing for one year, subject to certain conditions. In most US states, guests also are offered optional third-party credit insurance.

Underwriting

The majority of credit applications originate in one of our retail locations and are approved or denied automatically based on proprietary origination models. Origination and purchase authorization strategies are designed by a dedicated Risk Management team, which is separate and distinct from our retail sales organization ensuring that financing decisions are not influenced by sales driven objectives. Our underwriting process considers one or more of the following elements: credit bureau information; income and address verification; current income and debt levels. We have developed and refined proprietary statistical models that provide standardized credit decisions, and drive the optimization of credit limit assignment, down payment requirements and more significant debt service requirements as compared to general consumer lending standards. For certain credit applicants that may have past credit problems or lack credit history, we use stricter underwriting criteria. These additional requirements may include items such as verification of employment and minimum down payment levels. Part of our ability to control delinquency and net charge-offs is based on the level of required down payments, tailored credit limits and more significant debt service requirements as mentioned above. Underwriting risk tolerance has not been altered in the past 10 years. Several factors can influence portfolio risk outside of the initial origination and subsequent authorization decisions including macro-economic conditions, regulatory environment, operational system stability and strategy execution, store execution, and the ability of marketing and prospecting activities to attract a consistent risk weighed mix of new applicants to the receivable.

The scores of Fair Isaac Corporation ("FICO"), a widely-used financial metric for assessing a person's credit rating are used to benchmark portfolio and origination risk over time. Ten to twenty point ranges tend to be grouped together to form tiers of risk and scores can range from a low of 0 to over 800. The following aggregate FICO metrics for the portfolio demonstrate the overall consistency of our financing strategy approach:

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Balance weighted FICO score - New Additions	684	685	690
Balance weighted FICO score - Portfolio	662	663	665

Credit monitoring and collections

Our objective is to facilitate the sale of jewelry and to collect the outstanding credit balance as quickly as possible, minimizing risk and enabling the customer to make additional jewelry purchases using their credit facility. On average, our receivable portfolio turns every 9 months. We closely monitor the credit portfolio to identify delinquent accounts early, and dedicate resources to contacting customers concerning past due

Table of Contents

accounts when they are as few as 5 days in arrears. Collectors are focused on a quality customer experience using risk-based calling and strategic account segmentation.

The quality of our credit loan portfolio at any time reflects, among other factors: 1) the creditworthiness of our customers, 2) general economic conditions, 3) the success of our account management and collection activities, and 4) a variety of variables that change over time such as the proportion of new versus seasoned accounts or changes in the relative growth rate in sales between our various retail brands or formats. Cash flows associated with the granting of credit to guests of the individual store are included in the projections used when considering store investment proposals.

Portfolio aging

Since inception of its in-house financing, Signet measures delinquency and establishes loss allowances using a form of the recency method. This form of the recency method relies upon qualifying payments determined by management to measure delinquency. In general, an account will not remain current unless a qualifying payment is received. A customer is aged to the next delinquency level if they fail to make a qualifying payment by their monthly aging. A customer's account ages each month five days after their due date listed on their statement, allowing for a grace period before collection efforts begin. A qualifying payment can be no less than 75% of the scheduled payment, increasing with the delinquency level. If an account holder is two payments behind, then they must make a full minimum payment to return to current status. If an account holder is three payments behind, then they must make three full payments before returning to a current status. If an account holder is more than three payments behind, then the entire past due amount is required to return to a current status. Establishing qualifying payment methods in accounting for delinquencies is appropriate considering the high minimum payments that are required of customers. The weighted average minimum payment required as a percentage of the outstanding balance was 9% at year end fiscal 2016. The minimum payment does not decline as the balance declines. These two facts combined (higher scheduled payment requirement and no decline in payment requirement as balance decreases) allow Signet to collect on the receivable significantly faster than other retail/bank card accounts, which require a 3%-5% minimum payment, reducing risk and more quickly freeing up customer open to buy for additional purchases. Of all payments received in the fiscal year, 97% were equal to or greater than the scheduled monthly payment compared to 97% last year. While guests can make payments through online or mobile channels, via telephone or through the mail, 25% of payments are made in one of our retail locations.

See Note 1 of Item 8 for additional information regarding qualifying payments.

Allowances for uncollectible amounts are recorded as a charge to cost of goods sold in the income statement. The allowance is calculated using a model that analyzes factors such as delinquency rates and recovery rates. An allowance for amounts 90 days aged and under on a recency basis is established based on historical loss experience and payment performance information. A 100% allowance is made for any amount aged more than 90 days on a recency basis and any amount associated with an account the owner of which has filed for bankruptcy. An account is 90 days aged on a recency basis when there has not been a qualifying payment made within 90 days of the billing date. The net bad debt expensed on the income statement is equal to the sum of the total change in the allowance for uncollectible accounts and the total amount of charged off balances less any recoveries for accounts previously charged off. The allowance calculation is reviewed by management to assess whether, based on economic events, additional analysis is required to appropriately estimate losses inherent in the portfolio.

We deem accounts to be uncollectible and charge off when the account is both more than 120 days aged on a recency basis and 240 days aged on a contractual basis at the end of a month. Over the last 12 months, we have recovered 18% of charged-off amounts through our collection activities and the sale of previously charged off accounts. We track our charge-offs both gross, before recoveries, and net, after recoveries.

Table of Contents

Customer financing statistics[1]

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Total sales (millions)	$3,988.7	$3,765.0	$3,517.6
Credit sales (millions)	$2,451.2	$2,277.1	$2,028.0
Credit sales as % of total Sterling Jewelers sales[2]	61.5 %	60.5 %	57.7 %
Net bad debt expense (millions)[3]	$190.5	$160.0	$138.3
Opening receivables (millions)	$1,666.0	$1,453.8	$1,280.6
Closing receivables (millions)	$1,855.9	$1,666.0	$1,453.8
Number of active credit accounts at year end[4]	1,423,619	1,352,298	1,256,003
Average outstanding account balance at year end	$1,319	$1,245	$1,175
Average monthly collection rate	11.5 %	11.9 %	12.1 %
Ending bad debt allowance as a % of ending accounts receivable[1]	7.0 %	6.8 %	6.7 %
Net charge-offs as a % of average gross accounts receivable[1][5]	9.9 %	9.3 %	9.4 %
Non performing receivables as a % of ending accounts receivable[1]	4.0 %	3.8 %	3.7 %
Credit portfolio impact:			
Net bad debt expense (millions)[3]	$(190.5)	$(160.0)	$(138.3)
Late charge income (millions)	$33.9	$31.3	$29.4
Interest income from in-house customer finance programs (millions)[6]	$252.5	$217.9	$186.4
	$95.9	$89.2	$77.5

(1) See Note 10 of Item 8 for additional information.
(2) Including any deposits taken at the time of sale.
(3) Net bad expense is defined as the charge for the provision for bad debt less recoveries.
(4) The number of active accounts is based on credit cycle end date closest to the fiscal year end date.
(5) Net charge-offs calculated as gross charge-offs less recoveries. See Note 10 of Item 8 for additional information.
(6) See Note 9 of Item 8. Primary component of other operating income, net, on the consolidated income statement.

ZALE DIVISION

The Zale division consists of two reportable segments: Zale Jewelry and Piercing Pagoda. Zale Jewelry operates jewelry stores located primarily in shopping malls throughout the US, Canada and Puerto Rico. Piercing Pagoda operates through mall-based kiosks throughout the US and Puerto Rico. In Fiscal 2016, approximately 9% of goods purchased in the Zale division were denominated in Canadian dollars.

On May 29, 2014, Signet acquired 100% of the outstanding shares of Zale Corporation and Zale Corporation became a wholly-owned consolidated subsidiary of Signet. As such, Fiscal 2016 reflects the first full year of results as Fiscal 2015 reflects only the results since the Acquisition.

Zale store brand reviews

Store activity by brand

Table of Contents

	Fiscal 2016	Fiscal 2015
Zales	24	731
Peoples	2	146
Regional brands	—	139
Total Zale Jewelry	26	1,016
Piercing Pagoda	12	615
Total stores opened or acquired during the year	38	1,631
Zales	(10)	(15)
Peoples	(1)	(2)
Regional brands	(10)	(27)
Total Zale Jewelry	(21)	(44)
Piercing Pagoda	(12)	(10)
Total stores closed during the year	(33)	(54)
Zales	730	716
Peoples	145	144
Regional brands	102	112
Total Zale Jewelry	977	972
Piercing Pagoda	605	605
Total stores open at the end of the year	1,582	1,577
Zales	$1.467	$0.942 [2]
Peoples	$1.353	$1.096 [2]
Regional brands	$0.942	$0.682 [2]
Total Zale Jewelry	$1.394	$0.934 [2]
Piercing Pagoda	$0.376	$0.228 [2]
Average sales per store (millions)[1]	$1.003	$0.662 [2]
Zales	1,010	990
Peoples	193	192
Regional brands	112	125
Total Zale Jewelry	1,315	1,307
Piercing Pagoda	114	115
Total net selling square feet (thousands)	1,429	1,422
Increase in net store selling space	0.5 %	n/a

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

(2) Fiscal 2015 average sales per store calculated based on sales since date of the Acquisition.

Sales data by brand

Fiscal 2016	Sales (millions)	Same store sales
Zales	$1,241.0	5.5%
Peoples	214.8	3.4%
Regional brands	112.4	(5.7)%
Total Zale Jewelry	$1,568.2	4.3%
Piercing Pagoda	243.2	7.5%

Zale division[1]	$ 1,811.4	4.8%

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

Table of Contents

Zale Jewelry

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

Zales Jewelers, including Zales Outlet

Zales Jewelers operates primarily in shopping malls and offers a broad range of bridal, diamond solitaire and fashion jewelry. Zales Outlet operates in outlet malls and neighborhood power centers and capitalizes on Zales Jewelers' national marketing and brand recognition. Like the rest of our store banners, Zales targets a mid-market jewelry customer. But where Zales differs is that it particularly targets a customer, we identify as a "stylish shopper," for whom trend and leading styles are very important.

Zales Jewelers and Zales Outlet are collectively referred to as "Zales."

Zales accounted for 19% of Signet's sales in Fiscal 2016 (Fiscal 2015: 14%) and operated a total of 730 stores, including 720 stores in the United States and 10 stores in Puerto Rico as of January 30, 2016 (January 31, 2015: 716 total stores). Zales is positioned as "The Diamond Store" given its emphasis on diamond jewelry, especially in bridal and fashion. The Zales brand complements its merchandise assortments with promotional strategies to increase sales during traditional gift-giving periods and throughout the year.

Details of Zales' performance since the Acquisition in Fiscal 2015 is shown below:

	Fiscal 2016	Fiscal 2015
Sales (millions)	$1,241.0	$800.9
Average sales per store (millions)(1)	$1.467	$0.942
Stores at year end	730	716
Total net selling square feet (thousands)	1,010	990

(1) Fiscal 2015 average sales per store calculated based on sales since date of the Acquisition.

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

The following table summarizes the current composition of stores as of January 30, 2016 and net openings (closures) since the Acquisition:

	Stores at	Net openings (closures)	
	January 30, 2016	Fiscal 2016	Fiscal 2015
Mall	601	9	(6)
Off-mall and outlet	129	5	—
Total	730	14	(6)

Peoples Jewellers

Founded in 1919, Peoples Jewellers ("Peoples") is Canada's largest jewelry retailer, offering jewelry at affordable prices. Peoples accounted for 3% of Signet's sales in Fiscal 2016 (Fiscal 2015: 3%) and operated 145 stores in Canada as of January 30, 2016 (January 31, 2015: 144 stores). Peoples is positioned as "Canada's #1 Diamond Store" emphasizing its diamond business while also offering a wide selection of gold jewelry, gemstone jewelry and watches.

Details of Peoples' performance since the Acquisition in Fiscal 2015 is shown below:

	Fiscal 2016	Fiscal 2015
Sales (millions)	$214.8	$174.5
Average sales per store (millions)(1)	$1.353	$1.096
Stores at year end	145	144
Total net selling square feet (thousands)	193	192

(1) Fiscal 2015 average sales per store calculated based on sales since date of the Acquisition.

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

Table of Contents

Zale Jewelry regional brands

The Zale division also operates the regional store brands Gordon's Jewelers ("Gordon's"), in the US and Mappins Jewellers ("Mappins"), in Canada. Regional brands in the Zale Jewelry segment accounted for 2% of Signet's sales in Fiscal 2016 (Fiscal 2015: 2%) and operated a total of 102 stores, including 58 stores in the US, 43 stores in Canada and 1 store in Puerto Rico as of January 30, 2016 (January 31, 2015: 112 total stores). The Company expects the number of regional brands locations to continue to decline through conversion to national store brands or through closure upon lease expiration.

Details of regional brands' performance since the Acquisition is shown below:

	Fiscal 2016	Fiscal 2015
Sales (millions)	$112.4	$93.3
Average sales per store (millions)(1)	$0.942	$0.682
Stores at year end	102	112
Total net selling square feet (thousands)	112	125

(1) Fiscal 2015 average sales per store calculated based on sales since date of the Acquisition.

Piercing Pagoda

Piercing Pagoda operates through mall-based kiosks in the US and Puerto Rico. Piercing Pagoda accounted for 4% of Signet's sales in Fiscal 2016 (Fiscal 2015: 3%) and operated a total of 605 stores, including 591 stores in the United States and 14 stores in Puerto Rico as of January 30, 2016 (January 31, 2015: 605 total stores). Details of Piercing Pagoda's performance since the Acquisition in Fiscal 2015 is shown below:

	Fiscal 2016	Fiscal 2015
Sales (millions)	$243.2	$146.9
Average sales per store (millions)(1)	$0.376	$0.228
Stores at year end	605	605
Total net selling square feet (thousands)	114	115

(1) Fiscal 2015 average sales per store calculated based on sales since date of the Acquisition.

Piercing Pagodas are generally located in high traffic areas that are easily accessible and visible within regional shopping malls. The typical customer is the female self-purchaser. Piercing Pagoda offers a selection of gold, silver and diamond jewelry in basic styles at moderate prices.

Zale operating review

Other sales

Repair services represent less than 3% of sales and are an important opportunity to build customer loyalty. During Fiscal 2016, Zale utilized the Jared Design & Service Centers to support its repair business for approximately 200 stores, with plans to fully in-source repairs in Fiscal 2017. The Zale division also sells lifetime extended service plans on certain products which cover ring sizing and breakage on fine jewelry. These plans also include an option to purchase theft protection for a two-year period. Other plans offered to guests of Zale Jewelry include two year watch warranties and credit insurance for private label credit card guests. Zale Jewelry and Piercing Pagoda also offer a one year breakage warranty program.

Customer finance

Our consumer credit program is an integral part of our business and is a major driver of customer loyalty. Guests are offered revolving and interest free credit plans under our private label credit card programs offered in conjunction with Comenity Bank and TD Bank Services in Canada, in conjunction with other alternative finance vehicles including Signet's in-house consumer credit program in late Fiscal 2016, that allow the Zale division to provide guests with a wide variety of financing options. Participation of the Zale division in Signet's in-house consumer credit program was not material during Fiscal 2016. Approximately 42% of sales in the US were financed by private label customer credit in Fiscal 2016 (Fiscal 2015: 40%). Canadian private label credit card sales represented approximately 29% of Canadian sales in Fiscal 2016 (Fiscal 2015: 21%).

Table of Contents

UK JEWELRY DIVISION

The UK Jewelry division transacts mainly in British pounds, as sales and the majority of operating expenses are incurred in that currency and its results are then translated into US dollars for external reporting purposes. In Fiscal 2016, approximately 25% of goods purchased were made in US dollars (Fiscal 2015: 20%). The following information for the UK Jewelry division is given in British pounds as management believes that this presentation assists in the understanding of the performance of the UK Jewelry division. Movements in the US dollar to British pound exchange rate therefore may have an impact on the results of Signet, particularly in periods of exchange rate volatility. See Item 6 for analysis of results at constant exchange rates; non-GAAP measures.

UK market

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

UK Jewelry store brand reviews

Store activity by brand

	Fiscal 2016	Fiscal 2015	Fiscal 2014
H.Samuel	2	—	—
Ernest Jones[1]	8	8	2
Total stores opened or acquired during the year	10	8	2
H.Samuel	(3)	(2)	(14)
Ernest Jones[1]	(2)	(1)	(6)
Total stores closed during the year	(5)	(3)	(20)
H.Samuel	301	302	304
Ernest Jones[1]	202	196	189
Total stores open at the end of the year	503	498	493
H.Samuel	£0.763	£0.760	£0.742
Ernest Jones[1]	£1.142	£1.092	£1.033
Average sales per store (millions)[2]	£0.910	£0.887	£0.853
H.Samuel	326	327	328
Ernest Jones[1]	194	185	175
Total net selling square feet (thousands)	520	512	503
Increase (decrease) in net store selling space	1.5%	1.8%	(2.5)%

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

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

Sales data by brand

Fiscal 2016	Sales (millions)	Change from previous year: Total sales	Change from previous year: Total sales at constant exchange rates[1][2]	Same store sales
H.Samuel	£247.4	(3.5)%	3.0%	2.8%
Ernest Jones[3]	237.9	2.2%	9.2%	7.3%
UK Jewelry	£485.3	(0.8)%	5.9%	4.9%

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

(2) The exchange translation impact on total sales of H.Samuel was (6.5)% and on Ernest Jones was (7.0)%.

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

Table of Contents

H.Samuel

H.Samuel accounted for 6% of Signet's sales in Fiscal 2016 (Fiscal 2015: 7%), and is the largest specialty retail jewelry store brand in the UK by number of stores. H.Samuel has 150 years of jewelry heritage and its customers typically have an annual household income of between £15,000 and £40,000. The typical store selling space is 1,100 square feet.

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

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Sales (millions)	£247.4	£240.3	£233.1
Average sales per store (millions)	£0.763	£0.760	£0.742
Stores at year end	301	302	304
Total net selling square feet (thousands)	326	327	328

Ernest Jones

Ernest Jones accounted for 6% of Signet's sales in Fiscal 2016 (Fiscal 2015: 6%), and is the second largest specialty retail jewelry store brand in the UK by number of stores. It serves the upper middle market and its customers typically have an annual household income of between £30,000 and £65,000. The typical store selling space is 900 square feet.

Ernest Jones had six store openings in Fiscal 2016 with an emphasis on its new outlet concept, Ernest Jones The Outlet Collection. Details of Ernest Jones' performance over the last three years is shown below:

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Sales (millions)	£237.9	£217.8	£200.3
Average sales per store (millions)	£1.142	£1.092	£1.033
Stores at year end	202	196	189
Total net selling square feet (thousands)	194	185	175

UK Jewelry operating review

Customer finance

In Fiscal 2016, approximately 7% of the division's sales were made through a customer finance program provided through a third party (Fiscal 2015: 5%). Signet does not provide this service itself in the UK due to low demand for customer finance.

OTHER

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

AVAILABLE INFORMATION

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

Table of Contents

ITEM 1A. RISK FACTORS

Spending on goods that are, or are perceived to be "luxuries," such as jewelry, is discretionary and is affected by general economic conditions. Therefore, a decline in consumer spending may unfavorably impact Signet's future sales and earnings.

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

The success of Signet's operations depends to a significant extent upon a number of factors relating to discretionary consumer spending. These include economic conditions, and perceptions of such conditions by consumers, consumer confidence, level of customer traffic in shopping malls and other retail centers, employment, the level of consumers' disposable income, business conditions, interest rates, consumer debt and asset values, availability of credit and levels of taxation for the economy as a whole and in regional and local markets where we operate.

As 11% of Signet's sales are accounted for by its UK Jewelry division, economic conditions in the eurozone have a significant impact on the UK economy even though the UK is not a member of the eurozone. Therefore, developments in the eurozone could adversely impact trading in the UK Jewelry division, as well as adversely impact the US economy. In addition, the UK may seek to leave the European Union ("EU") and adopt an as yet unknown relationship with the EU. If this occurred, it could affect economic or market conditions throughout Europe and beyond and could contribute to instability in global credit markets. Any such exit by the UK from the EU could have a material adverse affect on Signet.

More than half of sales in the Sterling Jewelers division and approximately 40% of sales in the Zale division are made utilizing customer financing provided or facilitated by Signet. Therefore any deterioration in consumers' financial position or changes to the regulatory requirements regarding the granting of credit to customers could adversely impact sales, earnings and the collectability of accounts receivable.

More than half of Signet's sales in the US and Canada utilize its in-house or third-party customer financing programs and an additional 25% of purchases are made using third party bank cards. Any significant deterioration in general economic conditions or increase in consumer debt levels may inhibit consumers' use of credit and decrease consumers' ability to satisfy Signet's requirement for access to customer finance and could in turn have an adverse effect on the Company's sales. Furthermore, any downturn in general or local economic conditions, in particular an increase in unemployment in the markets in which the Signet operates, may adversely affect its collection of outstanding accounts receivable, its net bad debt charge and hence earnings.

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

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

Signet's share price may be volatile.

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

Signet provides public guidance on its expected operating and financial results for future periods. Although Signet believes that this guidance provides investors and analysts with a better understanding of management's expectations for the future and is useful to its stockholders and potential stockholders, such guidance is comprised of forward-looking statements subject to the risks and uncertainties described in this report and in our other public filings and public statements. Signet's actual results may not always be in line with or exceed the provided guidance or the expectations of our investors and analysts, especially in times of economic uncertainty. In the past, when the Company has reduced its previously provided guidance, the market price of Signet's common stock has declined. If, in the future, Signet's operating or financial results for a particular period do not meet our guidance or the expectations of our investors and analysts or if we reduce our guidance for future periods, the market price of our common stock may decline.

In addition, Signet may fail to meet the expectations of its stockholders or of analysts at some time in the future. If the analysts that regularly follow the Company's stock lower their rating or lower their projections for future growth and financial performance, the Company's stock price could decline.

Table of Contents

The concentration of a significant proportion of sales and an even larger share of profits in the fourth quarter means results are dependent on performance during that period.
Signet's business is highly seasonal, with a significant proportion of its sales and operating profit generated during its fourth quarter, which includes the Holiday Season. Management expects to continue to experience a seasonal fluctuation in its sales and earnings. Therefore, there is limited ability to compensate for shortfalls in fourth quarter sales or earnings by changes in its operations and strategies in other quarters, or to recover from any extensive disruption, for example, due to sudden adverse changes in consumer confidence, inclement weather conditions having an impact on a significant number of stores in the last few days immediately before Christmas Day or disruption to warehousing and store replenishment systems. A significant shortfall in results for the fourth quarter of any fiscal year would therefore be expected to have a material adverse effect on the annual results of operations. Disruption at lesser peaks in sales at Valentine's Day and Mother's Day would be expected to impact the results to a lesser extent.
Additionally, in anticipation of increased sales activity in the Holiday Season, Signet incurs certain significant incremental expenses prior to and during peak selling seasons, including advertising and costs associated with hiring a substantial number of temporary employees to supplement our existing workforce.
Deterioration in our capital structure or financial performance could result in constraints on capital or financial covenant breaches. In addition, a portion of the Company's debt is variable rate and volatility in benchmark interest rates could adversely impact the Company's financial results.
While Signet has a strong balance sheet with adequate liquidity to meet its operating requirements, the credit ratings agencies periodically review our capital structure and the quality and stability of our earnings. A deterioration in Signet's capital structure or the quality and stability of earnings could result in a downgrade of Signet's credit rating. Any negative ratings actions could also constrain the capital available to the Company, could limit the Company's access to funding for its operations, funding dividends and share repurchases, and increase the Company's financing costs. Changes in general credit market conditions could also affect Signet's ability to access capital rates at rates and on terms we determine to be attractive. If our ability to access capital becomes constrained, our interest costs will likely increase, which could have a material adverse effect on our results of operations, financial condition and cash flows. Additionally, as a result of the Company's exposure to variable interest rate debt, volatility in benchmark interest rates could adversely impact the Company's financial results.
Signet's borrowing agreements include various financial covenants and operating restrictions. A material deterioration in its financial performance could result in a covenant being breached. If Signet were to breach, or believed it was going to breach, a financial covenant it would have to renegotiate its terms with current lenders or find alternative sources of financing if current lenders required cancellation of facilities or early repayment.
Movements in foreign exchange rates could adversely impact the results and balance sheet of Signet.
Signet publishes its consolidated annual financial statements in US dollars. At January 30, 2016, Signet held approximately 83% of its total assets in entities whose functional currency is the US dollar and generated approximately 85% of its sales and 92% of its operating income in US dollars for the fiscal year then ended. All the remaining assets, sales and operating income are in UK British pounds and Canadian dollars. Therefore, its results and balance sheet are subject to fluctuations in the exchange rates between the US dollar and both the British pound and Canadian dollar. Accordingly, any decrease in the weighted average value of the British pound or Canadian dollar against the US dollar would decrease reported sales and operating income.
The monthly average exchange rates are used to prepare the income statement and are calculated each month from the weekly average exchange rates weighted by sales of the UK Jewelry division and the Canadian subsidiaries of the Zale division.
Where British pounds or Canadian dollars are held or used to fund the cash flow requirements of the business, any decrease in the weighted average value of the British pound or Canadian dollar against the US dollar would reduce the amount of cash and cash equivalents.
In addition, the prices of certain materials and products bought on the international markets by Signet are denominated in foreign currencies. As a result, Signet and its subsidiaries have exposures to exchange rate fluctuations on its cost of goods sold, as well as volatility of input prices if foreign manufacturers and suppliers are impacted by exchange rate fluctuations.

Fluctuations in the availability and pricing of commodities, particularly polished diamonds and gold, which account for the majority of Signet's merchandise costs, could adversely impact its earnings and cash availability.
The jewelry industry generally is affected by fluctuations in the price and supply of diamonds, gold and, to a lesser extent, other precious and semi-precious metals and stones. In particular, diamonds accounted for about 45%, and gold about 14%, of Signet's merchandise costs in Fiscal 2016.
In Fiscal 2016, prices for the assortment of polished diamonds utilized by Signet were relatively flat with prior year. Industry forecasts indicate that over the medium and longer term, the demand for diamonds will probably increase faster than the growth in supply, particularly as a result of growing demand in countries such as China and India. Therefore, the cost of diamonds is anticipated to rise over time, although fluctuations in price are likely to continue to occur. The mining, production and inventory policies followed by major producers of rough diamonds can have a significant impact on diamond prices, as can the inventory and buying patterns of jewelry retailers and other parties in the supply chain.

Table of Contents

While jewelry manufacturing is the major final demand for gold, management believes that the cost of gold is predominantly impacted by investment transactions which have resulted in significant volatility in the gold price in recent years, including a decline during Fiscal 2016. Signet's cost of merchandise and potentially its earnings may be adversely impacted by investment market considerations that cause the price of gold to significantly escalate.
The availability of diamonds is significantly influenced by the political situation in diamond producing countries and by the Kimberley Process, an inter-governmental agreement for the international trading of rough diamonds. Until acceptable alternative sources of diamonds can be developed, any sustained interruption in the supply of diamonds from significant producing countries, or to the trading in rough and polished diamonds which could occur as a result of disruption to the Kimberley Process, could adversely affect Signet, as well as the retail jewelry market as a whole. In addition, the current Kimberley Process decision making procedure is dependent on reaching a consensus among member governments, which can result in the protracted resolution of issues, and there is little expectation of significant reform over the long-term. The impact of this review process on the supply of diamonds, and consumers' perception of the diamond supply chain, is unknown. In addition to the Kimberley Process, the supply of diamonds to the US is also impacted by certain governmental trade sanctions imposed on Zimbabwe.
The possibility of constraints in the supply of diamonds of a size and quality Signet requires to meet its merchandising requirements may result in changes in Signet's supply chain practices, for example its rough sourcing initiative. In addition, Signet may from time to time choose to hold more inventory, purchase raw materials at an earlier stage in the supply chain or enter into commercial agreements of a nature that it currently does not use. Such actions could require the investment of cash and/or additional management skills. Such actions may not result in the expected returns and other projected benefits anticipated by management.
An inability to increase retail prices to reflect higher commodity costs would result in lower profitability. Historically jewelry retailers have been able, over time, to increase prices to reflect changes in commodity costs. However, in general, particularly sharp increases in commodity costs may result in a time lag before increased commodity costs are fully reflected in retail prices. As Signet uses an average cost inventory methodology, volatility in its commodity costs may also result in a time lag before cost increases are reflected in retail prices. There is no certainty that such price increases will be sustainable, so downward pressure on gross margins and earnings may occur. In addition, any sustained increases in the cost of commodities could result in the need to fund a higher level of inventory or changes in the merchandise available to the customer.
In August 2012, the SEC, pursuant to the Dodd-Frank Act, issued final rules, which require annual disclosure and reporting on the source and use of certain minerals, including gold, from the Democratic Republic of Congo and adjoining countries. The gold supply chain is complex and, while management believes that the rules currently cover less than 1% of annual worldwide gold production (based upon recent estimates), the final rules require Signet and other affected companies that file with the SEC to make specified country of origin inquiries of our suppliers, and otherwise to exercise reasonable due diligence in determining the country of origin and certain other information relating to any of the statutorily designated minerals (gold, tin, tantalum and tungsten), that are used in products sold by Signet in the US and elsewhere. On May 28, 2015, Signet filed with the SEC its Form Specialized Disclosure ("SD") and accompanying Conflict Minerals Report in accordance with the SEC's rules, which together describe our country of origin inquiries and due diligence measures relating to the source and chain of custody of those designated minerals Signet deemed necessary to the functionality or production of our products, the results of those activities and our related determinations with respect to the calendar year ended December 31, 2014.
There may be reputational risks associated with the potential negative response of our customers and other stakeholders to future disclosures by Signet in the event that, due to the complexity of the global supply chain, Signet is unable to sufficiently verify the origin of the relevant metals. Also, if future responses to verification requests by suppliers of any of the covered minerals used in our products are inadequate or adverse, Signet's ability to obtain merchandise may be impaired and our compliance costs may increase. The final rules also cover tungsten and tin, which are contained in a small proportion of items that are sold by Signet. It is possible that other minerals, such as diamonds, could be subject to similar rules.
Price increases may have an adverse impact on Signet's performance.

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

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

Table of Contents

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

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

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

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

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

Signet benefits from close commercial relationships with a number of suppliers. Damage to, or loss of, any of these relationships could have a detrimental effect on results. Management holds regular reviews with major suppliers. Signet's most significant supplier accounts for 3.9% of merchandise. Government requirements regarding sources of commodities, such as those required by the Dodd-Frank Act, could result in Signet choosing to terminate relationships with suppliers in the future due to a change in a supplier's sourcing practices or Signet's compliance with laws and internal policies.

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

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

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

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

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

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

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

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

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

The retail jewelry industry is highly fragmented and competitive. Aggressive discounting by competitors may adversely impact Signet's performance in the short term.

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

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

Table of Contents

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

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

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

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

The rate of new store development is dependent on a number of factors including obtaining suitable real estate, the capital resources of Signet, the availability of appropriate staff and management and the level of the financial return on investment required by management.

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

Social, ethical and environmental matters influence Signet's reputation, demand for merchandise by consumers, the ability to recruit staff, relations with suppliers and standing in the financial markets. Signet's success is dependent on the strength and effectiveness of its relationships with its various stakeholders: customers, shareholders, employees and suppliers. In recent years, stakeholder expectations have increased and Signet's success and reputation will depend on its ability to meet these higher expectations. Signet's success also depends upon its reputation for integrity in sourcing its merchandise, which, if adversely affected could impact consumer sentiment and willingness to purchase Signet's merchandise.

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

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

Signet is in the process of substantially modifying our enterprise resource planning systems, which involves updating or replacing legacy systems with successor systems over the course of several years. These system changes and upgrades can require significant capital investments and dedication of resources. While Signet follows a disciplined methodology when evaluating and making such changes, there can be no assurances that the Company will successfully implement such changes, that such changes will occur without disruptions to its operations or that the new or upgraded systems will achieve the desired business objectives. Any damage, disruption or shutdown of the Company's information systems, or the failure to successfully implement new or upgraded systems, could have a direct material adverse effect on Signet's results of operations.

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

Signet operates in multiple channels and, in the Sterling Jewelers division, maintains its own customer financing operation. Signet is also increasingly using mobile devices, social media and other online activities to connect with customers, staff and other stakeholders. Therefore, in the ordinary course of business, Signet relies upon information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities, including eCommerce sales, supply chain, merchandise distribution, customer invoicing and collection of payments. Signet uses information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements. Additionally, Signet collects and stores sensitive data, including intellectual property, proprietary business information, the propriety business information of our customers and suppliers, as well as personally identifiable information of Signet's customers and employees, in data centers and on information technology networks. The secure operation of these networks, and the processing and maintenance of this information is critical to Signet's business operations and strategy. Despite security measures and business continuity plans, we may not timely anticipate evolving techniques used to effect security breaches that may result in damage, disruptions or shutdowns of Signet's and our

Table of Contents

third-party vendors' networks and infrastructure due to attacks by hackers, including phishing or other cyber-attacks, or breaches due to employee error or malfeasance, or other disruptions during the process of upgrading or replacing computer software or hardware, power outages, computer viruses, telecommunication or utility failures or natural disasters or other catastrophic events. The occurrence of any of these events could compromise Signet's networks and the information stored there, including personal, proprietary or confidential information about Signet, our customers or our third-party vendors, and personally identifiable information of Signet's customers and employees could be accessed, manipulated, publicly disclosed, lost or stolen, exposing our customers to the risk of identity theft and exposing Signet or our third-party vendors to a risk of loss or misuse of this information. To date, these attacks or breaches have not had a material impact on Signet's business or operations; however, any such access, disclosure or other loss of information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, significant breach-notification costs, lost sales and a disruption to operations (including our ability to process consumer transactions and manage inventories), media attention, and damage to Signet's reputation, which could adversely affect Signet's business. In addition, it could harm Signet's reputation and ability to execute its business through service and business interruptions, management distraction and/or damage to physical infrastructure, which could adversely impact sales, costs and earnings. If Signet is the target of a cybersecurity attack resulting in unauthorized disclosure of our customer data, we may be required to undertake costly notification and credit monitoring procedures. Compliance with these laws will likely increase the costs of doing business.

The regulatory environment related to information security, data collection and privacy is becoming increasingly demanding, with new and changing requirements applicable to Signet's business, and compliance with those requirements could result in additional costs, such as costs related to organizational changes, implementing additional protection technologies, training employees and engaging consultants.

These risks could have a material adverse effect on Signet's results of operations, financial condition and cash flow.

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

Signet is involved in legal proceedings incidental to its business. Litigation is inherently unpredictable. Any claims against us, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time and result in the diversion of significant operational resources. In March 2008, private plaintiffs filed a class action lawsuit for an unspecified amount against Sterling Jewelers Inc. ("Sterling"), a subsidiary of Signet, in US District Court for the Southern District of New York, which has been referred to private arbitration. In September 2008, the US Equal Employment Opportunities Commission filed a lawsuit against Sterling in US District Court for the Western District of New York. Sterling denies the allegations from both parties and has been defending these cases vigorously. If, however, it is unsuccessful in either defense, Sterling could be required to pay substantial damages. At this point, no outcome or amount of loss is able to be estimated. See Note 24 in Item 8.

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

Failure to comply with labor regulations could harm the business.

State, federal and global laws and regulations regarding employment change frequently and the ultimate cost of compliance cannot be precisely estimated. Failure by Signet to comply with labor regulations could result in fines and legal actions. In addition, the ability to recruit and retain staff could be harmed.

Collective bargaining activity could disrupt our operations, increase our labor costs or interfere with the ability of our management to focus on executing our business strategies.

The employees of our diamond polishing factory in Garborone, Botswana are covered by a collective bargaining agreement. If relationships with these employees become adverse, operations at the factory could experience labor disruptions such as strikes, lockouts, boycotts and public demonstrations. Labor regulation and the negotiation of new or existing collective bargaining agreements could lead to higher wage and benefit costs, changes in work rules that raise operating expenses, legal costs and limitations on our ability to take cost saving measures during economic downturns.

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

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

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

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

Table of Contents

Any difficulty executing or integrating an acquisition, a business combination or a major business initiative may result in expected returns and other projected benefits from such an exercise not being realized.
Any difficulty in executing or integrating an acquisition, a business combination or a major business initiative, including our direct diamond sourcing capabilities, may result in expected returns and other projected benefits from such an exercise not being realized. The acquisition of companies with operating margins lower than that of Signet may cause an overall lower operating margin for Signet. A significant transaction could also disrupt the operation of our current activities and divert significant management time and resources. Signet's current borrowing agreements place certain limited constraints on our ability to make an acquisition or enter into a business combination, and future borrowing agreements could place tighter constraints on such actions.
Additional indebtedness relating to the acquisition of Zale Corporation reduces the availability of cash to fund other business initiatives.
Signet's additional indebtedness to fund the acquisition of Zale Corporation has significantly increased Signet's outstanding debt. This additional indebtedness requires us to dedicate a portion of our cash flow to servicing this debt, which may impact the availability of cash to fund other business initiatives, including dividends and share repurchases. Significant changes to Signet's financial condition as a result of global economic changes or difficulties in the integration or execution of strategies of the acquired business may affect our ability to satisfy the financial covenants included in the terms of the financing arrangements.
Failure to successfully combine Signet's and Zale Corporation's businesses in the expected time frame may adversely affect the future results of the combined company, and there is no assurance that we will be able to fully achieve integration-related efficiencies or that those achieved will offset transaction-related costs.
The success of the transaction will depend, in part, on our ability to successfully combine the Signet and Zale businesses in order to realize the anticipated benefits and synergies from combination. If the combined company is not able to achieve these objectives, or is not able to achieve these objectives on a timely basis, the anticipated benefits of the transaction may not be realized fully. In addition, we have incurred a number of substantial transaction and intergration-related costs associated with completing the transaction, combining the operations of the two companies and taking steps to achieve desired synergies. Transaction costs include, but are not limited to, fees paid to legal, financial, accounting and integration advisors, regulatory filing fees and printing costs. Additional unanticipated costs may be incurred in the integration of our and Zale Corporation's businesses. There can be no assurance that the realization of other efficiencies related to the integration of the two businesses, as well as the elimination of certain duplicative costs, will offset the incremental transaction-related costs over time. Thus, any net benefit may not be achieved in the near term, the long term, or at all.
Additionally, these integration difficulties could result in declines in the market value of our common stock.
Litigation related to our acquisition of Zale Corporation if unfavorably decided could result in substantial cost to us.
In connection with the Zale Corporation acquisition, a consolidated lawsuit on behalf of a purported class of former Zale Corporation stockholders was filed in the Delaware Court of Chancery. The lawsuit names as defendants Signet and the members of the board of directors of Zale Corporation, among others. On October 29, 2015, the Court dismissed the lawsuit against all defendants and currently an appeal of that decision is pending in the Delaware Supreme Court. Additional lawsuits may be filed against Zale Corporation, Signet, Signet's merger subsidiary and Zale Corporation's directors related to the transaction. The defense or settlement of, or an unfavorable judgment in, any lawsuit or claim could result in substantial costs and could adversely affect the combined company's business, financial condition or results of operations. At this point, no outcome or range of loss is able to be estimated.
Our inability or failure to protect intellectual property could have a negative impact on our brands, reputation and operating results.
Signet's trade names, trademarks, copyrights, patents and other intellectual property are important assets and an essential element of the Company's strategy. The unauthorized reproduction, theft or misappropriation of Signet's intellectual property could diminish the value of its brands or reputation and cause a decline in sales. Protection of Signet's intellectual property and maintenance of distinct branding are particularly important as they distinguish our products and services from those of our competitors. The costs of defending our intellectual property may adversely affect the Company's operating results. In addition, any infringement or other intellectual property claim made against

Signet, whether or not it has merit, could be time-consuming, result in costly litigation, cause product delays, or require the Company to enter into royalty or licensing agreements. As a result, any such claim could have a material adverse effect on Signet's operating results.

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

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

For further information on our testing for goodwill impairment, see "Critical Accounting Policies" under Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Table of Contents

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Signet attributes great importance to the location and appearance of its stores. Accordingly, in each of Signet's divisions, which collectively operate in the US, Canada, Puerto Rico and UK, investment decisions on selecting sites and refurbishing stores are made centrally, and strict real estate and investment criteria are applied. Below is a summary of property details by geography for our retail operations.

North America retail property

Signet's Sterling Jewelers, Zale Jewelry and Piercing Pagoda segments operate stores and kiosks in the US, with substantially all of the locations being leased. In addition to a minimum annual rent cost, the majority of mall stores are also liable to pay rent based on sales above a specified base level. In Fiscal 2016, most of the mall stores and kiosks only made base rental payments. Under the terms of a typical lease, the Company is required to conform and maintain its usage to agreed standards, including meeting required advertising expenditure as a percentage of sales, and are responsible for its proportionate share of expenses associated with common area maintenance, utilities and taxes of the mall. The initial term of a mall store lease is generally ten years for Sterling Jewelers and Zale Jewelry and one to five years for Piercing Pagoda kiosks. Towards the end of a lease, management evaluates whether to renew a lease and refit the store, using similar operational and investment criteria as for a new store. Where management is uncertain whether the location will meet management's required return on investment, but the store is profitable, the leases may be renewed for one to five years, during which time the store's performance is further evaluated. There are typically about 250 such mall stores at any one time in the Sterling Jewelers segment, as well as the Zale Jewelry segment. Jared stores are normally opened on 15 to 20 year leases with options to extend the lease, and rents are not sales related. A refurbishment of a Jared store is normally undertaken every five to ten years. The Zale Jewelry segment operates stores in Canada and Puerto Rico, all under operating leases, with terms and characteristics similar to the US locations described above. The Piercing Pagoda segment operates kiosks in Puerto Rico, all under operating leases, with terms and characteristics similar to the US locations described above.

At January 30, 2016, the average unexpired lease term of US leased premises for the Sterling Jewelers segment was 5.1 years, and over 54% of these leases had terms expiring within five years. The cost of remodeling a mall store is similar to the cost of a new mall store, which is typically between $610,000 and $1,000,000, depending on the scope of the remodel project. Jared refurbishments typically cost on average $120,000. New Jared stores are typically ground leases which cost between $2,100,000 and $2,700,000. In Fiscal 2016, the level of store remodels increased with 95 locations being completed (Fiscal 2015: 77 locations). The investment was financed by cash flow from operating activities.

At January 30, 2016, the average unexpired lease term of leased premises for Zale Jewelry and Piercing Pagoda segments was 3 and 2 years, respectively, with approximately 70% of these leases having terms expiring within five years. The cost of remodeling a Zale Jewelry mall store is similar to the cost of a new mall store, which is typically between $325,000 and $650,000. The cost of a new Piercing Pagoda kiosk is typically between $90,000 and $120,000. In Fiscal 2016, store remodels were completed at 45 Zale Jewelry stores and 74 Piercing Pagoda kiosks. In Fiscal 2015, store remodels were completed at 31 Zale Jewelry stores and 63 Piercing Pagoda kiosks.

In the US, the Sterling Jewelers, Zale Jewelry and Piercing Pagoda segments collectively lease approximately 20% of store and kiosk locations from a single lessor. In Canada, Zale Jewelry leases approximately 50% of its store locations from four lessors, with no individual lessor relationship exceeding 15% of its store locations. The segments had no other relationship with any lessor relating to 10% or more of its locations. At January 30, 2016, the Sterling Jewelers segment had 3.03 million square feet of net selling space (January 31, 2015: 2.88 million), while the Zale Jewelry and Piercing Pagoda segments had 1.07 million and 0.11 million square feet, respectively, of net selling space in the US (January 31, 2015: 1.07 million and 0.11 million square feet, respectively). The Zale Jewelry segment also had 0.24 million square feet of net selling space in Canada (January 31, 2015: 0.24 million).

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

Table of Contents

UK retail property

At January 30, 2016, Signet's UK Jewelry division operated from 6 freehold premises and 522 leasehold premises. The division's stores are generally leased under full repairing and insuring leases (equivalent to triple net leases in the US). Wherever possible, Signet is shortening the length of new leases that it enters into, or including break clauses in order to improve the flexibility of its lease commitments. At January 30, 2016, the average unexpired lease term of UK Jewelry premises was 6 years, and a majority of leases had either break clauses or terms expiring within five years. Rents are usually subject to upward review every five years if market conditions so warrant. An increasing proportion of rents also have an element related to the sales of a store, subject to a minimum annual value. For details of assigned leases and sublet premises, see Note 24 of Item 8.

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

A typical UK Jewelry store undergoes a major remodel every ten years and a less costly refurbishment every five years. It is intended that these investments will be financed by cash from operating activities. The cost of remodeling a regular store is typically between £150,000 and £600,000 for both H.Samuel and Ernest Jones, while remodels in prestigious locations typically doubles those costs.

The UK Jewelry division has no relationship with any lessor relating to 10% or more of its store locations. At January 30, 2016, the UK Jewelry division has 0.52 million square feet of net selling space (January 31, 2015: 0.51 million).

Other

The following table provides the location, use and size of additional facilities required to support the Company's global operations as of January 30, 2016:

Location	Function	Approximate square footage	Lease or Own	Lease expiration
Akron, Ohio	Corporate and distribution	460,000	Lease	2047
Akron, Ohio	Credit	86,000	Lease	2047
Akron, Ohio	Training	12,000	Lease	2047
Akron, Ohio	Repair Center	38,000	Own	N/A
Akron, Ohio	Corporate	34,900	Lease	2019
Barberton, Ohio	Non-merchandise fulfillment	135,000	Lease	2031
New York City, New York	Design office	4,600	Lease	2020
New York City, New York	Diamond trading	2,000	Lease	2021
Irving, Texas(1)	Corporate and distribution	414,000	Lease	2018
Toronto, Ontario (Canada)	Distribution and fulfillment	26,000	Lease	2019
Birmingham, UK	Corporate and eCommerce fulfillment	255,000	Own	N/A
Borehamwood, Hertfordshire (UK)	Corporate and distribution	36,200	Lease	2020
London, UK	Corporate	3,350	Lease	2023
Gaborone, Botswana	Diamond polishing	34,200	Own	N/A
Mumbai, India	Diamond trading	3,000	Lease	2018

(1) Signet will be relocating the Dallas headquarters to a new 250,000 square foot facility upon expiration of the existing lease for the facility in Irving, Texas. The lease for this new headquarters will expire in 2028. Additionally, Signet is currently building a 31,000 square foot freestanding repair facility in Dallas, Texas, similar to the repair center in Akron, Ohio. It is scheduled to open for operation in March 2017 with the new lease set to expire in 2028.

Sufficient distribution exists in all geographies to meet the respective needs of the Company’s operations.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

Table of Contents

PART II

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

Market information

The principal trading market for the Company's common shares is the New York Stock Exchange (symbol: SIG). The Company also maintained a standard listing of its common shares on the London Stock Exchange (symbol: SIG) during Fiscal 2016.

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

	New York Stock Exchange Price per share		London Stock Exchange Price per share	
	High	Low	High	Low
Fiscal 2015				
First quarter	$107.11	$75.28	£64.48	£46.05
Second quarter	$112.55	$97.56	£65.66	£57.96
Third quarter	$120.01	$102.10	£75.04	£60.76
Fourth quarter	$132.12	$119.62	£86.38	£74.34
Full year	$132.12	$75.28	£86.38	£46.05
Fiscal 2016				
First quarter	$139.78	$117.39	£94.15	£77.42
Second quarter	$137.62	$118.62	£89.46	£77.14
Third quarter	$150.94	$117.56	£98.05	£75.94
Fourth quarter	$149.73	$113.39	£98.03	£76.61
Full year	$150.94	$113.39	£98.05	£75.94

On February 16, 2016, the Company filed a voluntary application with the United Kingdom's Financial Conduct Authority to delist its common shares from the London Stock Exchange ("LSE"). Signet took this action as a result of less than 1% of the Company's annual trading volume being executed on the LSE. As a result, the benefit of LSE listing is outweighed by the monetary expense, regulatory burdens and time spent on LSE-driven activity. Common shares of the Company continued to trade on the LSE until close of business on March 15, 2016.

Number of holders

As of March 18, 2016, there were 7,576 stockholders of record.

Dividends

On February 26, 2016, the Board of Directors (the "Board") declared an 18% increase in the first quarter dividend, resulting in an increase from $0.22 to $0.26 per Signet common share. The following table contains the Company's dividends declared for Fiscal 2016, Fiscal 2015 and Fiscal 2014:

(in millions, except per share amounts)	Fiscal 2016 Cash dividend per share	Fiscal 2016 Total dividends	Fiscal 2015 Cash dividend per share	Fiscal 2015 Total dividends	Fiscal 2014 Cash dividend per share	Fiscal 2014 Total dividends
First quarter	$0.22	$ 17.6	$0.18	$ 14.4	$0.15	$ 12.1
Second quarter	0.22	17.6	0.18	14.4	0.15	12.1
Third quarter	0.22	17.5	0.18	14.5	0.15	12.0
Fourth quarter[(1)]	0.22	17.5	0.18	14.4	0.15	12.0
Total	$0.88	$ 70.2	$0.72	$ 57.7	$0.60	$ 48.2

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

Table of Contents

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

Repurchases of equity securities

The following table contains the Company's repurchases of equity securities in the fourth quarter of Fiscal 2016:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs[1]	Approximate dollar value of shares that may yet be purchased under the plans or programs
November 1, 2015 to November 28, 2015	—	$—	—	$153,650,234
November 29, 2015 to December 26, 2015	150,243	$120.24	150,243	$135,585,319
December 27, 2015 to January 30, 2016	—	$—	—	$135,585,319
Total	150,243	$120.24	150,243	$135,585,319

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

In February 2016, the Board of Directors authorized an additional $750 million of share repurchases to be executed in a manner that aligns with the Company's leverage and free cash flow targets.

Performance graph

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

Historical share price performance should not be relied upon as an indication of future share price performance. The following graph compares the cumulative total return to holders of Signet's common shares against the cumulative total return of the S&P 500 Index and the S&P 500 Specialty Retail Index for the five year period ended January 30, 2016. The comparison of the cumulative total returns for each investment assumes that $100 was invested in Signet's common shares and the respective indices on January 29, 2011 through January 30, 2016.

Table of Contents

Exchange controls
The Parent Company is classified by the Bermuda Monetary Authority as a non-resident of Bermuda for exchange control purposes. The transfer of common shares between persons regarded as resident outside Bermuda for exchange control purposes may be effected without specific consent under the Exchange Control Act 1972 Bermuda and regulations thereunder and the issuance of common shares to persons regarded as resident outside Bermuda for exchange control purposes may also be effected without specific consent under the Exchange Control Act 1972 and regulations thereunder. Issues and transfers of common shares involving any person regarded as resident in Bermuda for exchange control purposes may require specific prior approval under the Exchange Control Act 1972.
The owners of common shares who are ordinarily resident outside Bermuda are not subject to any restrictions on their rights to hold or vote their shares. Because the Parent Company has been designated as a non-resident for Bermuda exchange control purposes, there are no restrictions on its ability to transfer funds into and out of Bermuda or to pay dividends to US residents who are holders of common shares, other than in respect of local Bermuda currency.
Taxation
The following are brief and general summaries of the United States and United Kingdom taxation treatment of holding and disposing of common shares. The summaries are based on existing law, including statutes, regulations, administrative rulings and court decisions, and what is understood to be current Internal Revenue Service ("IRS") and HM Revenue & Customs ("HMRC") practice, all as in effect on the date of this document. Future legislative, judicial or administrative changes or interpretations could alter or modify statements and conclusions set forth below, and these changes or interpretations could be retroactive and could affect the tax consequences of holding and disposing of common shares. The summaries do not consider the consequences of holding and disposing of common shares under tax laws of countries other than the US (or any US laws other than those pertaining to federal income tax), the UK and Bermuda, nor do the summaries consider any alternative minimum tax, state or local consequences of holding and disposing of common shares.
The summaries provide general guidance to US holders (as defined below) who hold common shares as capital assets (within the meaning of section 1221 of the US Internal Revenue Code of 1986, as amended (the "US Code")) and to persons resident and domiciled for tax purposes in the UK who hold common shares as an investment, and not to any holders who are taxable in the UK on a remittance basis or who are subject to special tax rules, such as banks, financial institutions, broker-dealers, persons subject to mark-to-market treatment, UK resident individuals who hold their common shares under a personal equity plan, persons that hold their common shares as a position in part of a straddle, conversion transaction, constructive sale or other integrated investment, US holders whose "functional currency" is not the US dollar, persons who received their common shares by exercising employee share options or otherwise as compensation, persons who have acquired their common shares by virtue of any office or employment, S corporations or other pass-through entities (or investors in S corporations or other pass-through entities), mutual funds, insurance companies, tax-exempt organizations, US holders subject to the alternative minimum tax, certain expatriates or former long-term residents of the US, and US holders that directly or by attribution hold 10% or more of the voting power of the Parent Company's shares. This summary does not address US federal estate tax, state or local taxes, or the 3.8% Medicare tax on net investment income.
The summaries are not intended to provide specific advice and no action should be taken or omitted to be taken in reliance upon it. If you are in any doubt about your taxation position, or if you are resident or domiciled outside the UK or resident or otherwise subject to taxation in a jurisdiction outside the UK or the US, you should consult your own professional advisers immediately.
The Parent Company is incorporated in Bermuda. The directors intend to conduct the Parent Company's affairs such that, based on current law and practice of the relevant tax authorities, the Parent Company will not become resident for tax purposes in any other territory. This guidance is written on the basis that the Parent Company does not become resident in a territory other than Bermuda.
US taxation
As used in this discussion, the term "US holder" means a beneficial owner of common shares who is for US federal income tax purposes: (i) an individual US citizen or resident; (ii) a corporation, or entity treated as a corporation, created or organized in or under the laws of the United States; (iii) an estate whose income is subject to US federal

income taxation regardless of its source; or (iv) a trust if either: (a) a court within the US is able to exercise primary supervision over the administration of such trust and one or more US persons have the authority to control all substantial decisions of such trust; or (b) the trust has a valid election in effect to be treated as a US resident for US federal income tax purposes.

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

Table of Contents

Dividends and other distributions upon common shares

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

Sale or exchange of common shares

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

Information reporting and backup withholding

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

Passive foreign investment company status

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

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

Foreign financial asset reporting requirement

An individual that is a US holder, or is a specific type of nonresident alien, (each a "specified individual") and holds certain foreign financial assets (including Signet's common shares) must file IRS Form 8938 to report the ownership of such assets if the total value of those assets exceeds the applicable threshold amounts, generally $50,000 on the last day of the tax year or more than $75,000 at any time during the tax year. Certain domestic entities that are 80% owned, directly, indirectly or constructively, by a specified individual, or have specified individuals as beneficiaries (“specified domestic entities”), and that hold certain foreign financial assets also must file IRS Form 8938. Some specified individuals may be subject to a greater threshold before reporting is required and constructive ownership rules may apply to determine reporting thresholds relating to specified domestic entities. However, in general, such form is not required to be filed with respect to Signet’s common shares if they are held through a domestic financial institution.

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

All specified individuals and specified domestic entities are urged to consult with their own tax advisors with respect to the application of this reporting requirement to their circumstances.

Table of Contents

UK taxation

Chargeable gains

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

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

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

Taxation of dividends on common shares

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

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

A UK resident individual shareholder who is liable to UK income tax at no more than the basic rate will be liable to income tax on dividends paid by the Parent Company on the common shares at the dividend ordinary rate (10% in tax year 2015/16). A UK resident individual shareholder who is liable to UK income tax at the higher rate will be subject to income tax on the dividend income at the dividend upper rate (32.5% in 2015/16). A further rate of income tax (the “additional rate”) will apply to individuals with taxable income over a certain threshold, which is currently £150,000 for 2015/16. A UK resident individual shareholder subject to the additional rate will be liable to income tax on their dividend income at the dividend additional rate of 37.5% (in 2015/16, as from the start of this tax year on April 6, 2015) of the gross dividend to the extent that the gross dividend when treated as the top slice of the shareholder’s income falls above the current £150,000 threshold.

UK resident individuals in receipt of dividends from the Parent Company, if they own less than a 10% shareholding in the Parent Company, will be entitled to a non-payable dividend tax credit (currently at the rate of 1/9th of the cash dividend paid (or 10% of the aggregate of the net dividend and related tax credit)). Assuming that there is no withholding tax imposed on the dividend (as to which see the section on Bermuda taxation below), the individual is treated as receiving for UK tax purposes gross income equal to the cash dividend plus the tax credit. The tax credit is set against the individual’s tax liability on that gross income. The result is that a UK resident individual shareholder who is liable to UK income tax at no more than the basic rate will have no further UK income tax to pay on a Parent Company dividend. A UK resident individual shareholder who is liable to UK income tax at the higher rate will have further UK income tax to pay of 22.5% of the dividend plus the related tax credit (or 25% of the cash dividend, assuming that there is no withholding tax imposed on that dividend). A UK resident individual subject to income tax at the additional rate for 2015/16 will have further UK income tax to pay of 27.5% of the dividend plus the tax credit (or 30 5/9% of the cash dividend, assuming that there is no withholding tax imposed on that dividend), to the extent that the gross dividend falls above the threshold for the 45% rate of income tax.

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

Stamp duty/stamp duty reserve tax (“SDRT”)

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

Bermuda taxation

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

Table of Contents

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The financial data included below for Fiscal 2016, Fiscal 2015 and Fiscal 2014 has been derived from the audited consolidated financial statements included in Item 8. The financial data for these periods should be read in conjunction with the financial statements, including the notes thereto, and Item 7. The financial data included below for Fiscal 2013 and Fiscal 2012 has been derived from the previously published consolidated audited financial statements not included in this document.

FINANCIAL DATA:	Fiscal 2016	Fiscal 2015 (1)	Fiscal 2014	Fiscal 2013 (2)	Fiscal 2012
Income statement (in millions):					
Sales	$6,550.2	$5,736.3	$4,209.2	$3,983.4	$3,749.2
Cost of sales	(4,109.8)	(3,662.1)	(2,628.7)	(2,446.0)	(2,311.6)
Gross margin	2,440.4	2,074.2	1,580.5	1,537.4	1,437.6
Selling, general and administrative expenses	(1,987.6)	(1,712.9)	(1,196.7)	(1,138.3)	(1,056.7)
Other operating income, net	250.9	215.3	186.7	161.4	126.5
Operating income	703.7	576.6	570.5	560.5	507.4
Interest expense, net	(45.9)	(36.0)	(4.0)	(3.6)	(5.3)
Income before income taxes	657.8	540.6	566.5	556.9	502.1
Income taxes	(189.9)	(159.3)	(198.5)	(197.0)	(177.7)
Net income	$467.9	$381.3	$368.0	$359.9	$324.4
Adjusted EBITDA(3)	$891.5	$762.9	$680.7	$659.9	$599.8
Income statement (as a % of sales):					
Sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	(62.7)	(63.8)	(62.5)	(61.4)	(61.7)
Gross margin	37.3	36.2	37.5	38.6	38.3
Selling, general and administrative expenses	(30.4)	(29.9)	(28.4)	(28.6)	(28.2)
Other operating income, net	3.8	3.7	4.4	4.1	3.4
Operating income	10.7 (4)	10.0 (4)	13.5 (4)	14.1	13.5
Interest expense, net	(0.7)	(0.6)	(0.1)	(0.1)	(0.1)
Income before income taxes	10.0	9.4	13.4	14.0	13.4
Income taxes	(2.9)	(2.8)	(4.7)	(5.0)	(4.7)
Net income	7.1 %	6.6 %	8.7 %	9.0 %	8.7 %
Adjusted EBITDA(3)	13.6 %	13.3 %	16.2 %	16.6 %	16.0 %
Per share data:					
Earnings per share:					
Basic	$5.89	$4.77	$4.59	$4.37	$3.76
Diluted	$5.87	$4.75	$4.56	$4.35	$3.73
Weighted average common shares outstanding (in millions):					
Basic	79.5	79.9	80.2	82.3	86.2
Diluted	79.7	80.2	80.7	82.8	87.0
Dividends declared per share	$0.88	$0.72	$0.60	$0.48	$0.20

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

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

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

(4) The acquisition of Zale and Ultra Stores Inc., with operating margins lower than that of Signet, caused an overall lower operating margin for Signet.

Table of Contents

(in millions)	Fiscal 2016	Fiscal 2015 [1]	Fiscal 2014	Fiscal 2013	Fiscal 2012
Balance sheet:					
Total assets[2]	$6,474.4	$6,214.3	$3,916.1	$3,616.5	$3,506.6
Total liabilities[2]	3,413.7	3,403.9	1,353.0	1,286.6	1,227.5
Total shareholders' equity	3,060.7	2,810.4	2,563.1	2,329.9	2,279.1
Working capital	3,437.0	3,210.3	2,467.0	2,292.2	2,292.4
Cash and cash equivalents	137.7	193.6	247.6	301.0	486.8
Loans and overdrafts	(59.5)	(97.5)	(19.3)	—	—
Long-term debt	(1,328.7)	(1,363.8)	—	—	—
Net (debt) cash[3]	$(1,250.5)	$(1,267.7)	$228.3	$301.0	$486.8
Common shares outstanding	79.4	80.3	80.2	81.4	86.9
Cash flow:					
Net cash provided by operating activities	$443.3	$283.0	$235.5	$312.7	$325.2
Net cash used in investing activities	(228.7)	(1,652.6)	(160.4)	(190.9)	(97.8)
Net cash (used in) provided by financing activities	(266.6)	1,320.9	(124.8)	(308.1)	(40.0)
(Decrease) increase in cash and cash equivalents	$(52.0)	$(48.7)	$(49.7)	$(186.3)	$187.4
Free cash flow	$216.8	$62.8	$82.8	$178.5	$227.4
Ratios:					
Operating margin	10.7%	10.0%	13.5%	14.1%	13.5%
Effective tax rate	28.9%	29.5%	35.0%	35.4%	35.4%
ROCE[3]	21.0%	19.5%	25.2%	28.1%	28.6%
Adjusted Leverage[3]	3.7x	4.0x	2.0x	2.0x	2.1x
Store data:	Fiscal 2016	Fiscal 2015 [1]	Fiscal 2014	Fiscal 2013	Fiscal 2012
Store locations (at end of period):					
Sterling Jewelers	1,540	1,504	1,471	1,443	1,318
Zale Jewelry	977	972	n/a	n/a	n/a
Piercing Pagoda	605	605	n/a	n/a	n/a
UK Jewelry	503	498	493	511	535
Signet	3,625	3,579	1,964	1,954	1,853
Percentage increase (decrease) in same store sales:					
Sterling Jewelers	3.7%	4.8%	5.2%	4.0%	11.1%
Zale Jewelry	4.3%	1.7%	n/a	n/a	n/a
Piercing Pagoda	7.5%	0.2%	n/a	n/a	n/a
UK Jewelry	4.9%	5.3%	1.0%	0.3%	0.9%
Signet	4.1%	4.1%	4.4%	3.3%	9.0%
Number of employees (full-time equivalents)	29,057 [4]	28,949 [5]	18,179 [6]	17,877 [7]	16,555

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

(2) Results reclassified in accordance with Signet's adoption of Accounting Standards Update 2015-17, which requires the classification of all deferred tax assets and liabilities as non-current. See Note 2 of Item 8 for additional information.

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

(4) Number of employees includes 194 full-time equivalents employed in the diamond polishing plant located in Botswana.

(5) Number of employees includes 226 full-time equivalents employed in the diamond polishing plant located in Botswana.
(6) Number of employees includes 211 full-time equivalents employed in the diamond polishing plant located in Botswana.
(7) Number of employees includes 830 full-time equivalents employed by Ultra Stores, Inc.
n/a Not applicable as Zale division was acquired on May 29, 2014.

Table of Contents

GAAP AND NON-GAAP MEASURES

The discussion and analysis of Signet's results of operations, financial condition and liquidity contained in this Report are based upon the consolidated financial statements of Signet which are prepared in accordance with US GAAP and should be read in conjunction with Signet's financial statements and the related notes included in Item 8. A number of non-GAAP measures are used by management to analyze and manage the performance of the business, and the required disclosures for these non-GAAP measures are shown below. In particular, the terms "at constant exchange rates," "underlying" and "underlying at constant exchange rates" are used in a number of places. "At constant exchange rates" is used to indicate where items have been adjusted to eliminate the impact of exchange rate movements on translation of British pound and Canadian dollar amounts to US dollars. "Underlying" is used to indicate where adjustments for significant, unusual and non-recurring items have been made and "underlying at constant exchange rates" indicates where the underlying items have been further adjusted to eliminate the impact of exchange rate movements on translation of British pound and Canadian dollar amounts to US dollars.

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

1. Income Statements at Constant Exchange Rates

Movements in the US dollar to British pound and Canadian dollar exchange rates have an impact on Signet's results. The UK Jewelry division is managed in British pounds and the Canadian reporting unit of the Zale Jewelry segment in Canadian dollars as sales and a majority of operating expenses are incurred in those foreign currencies. The results for each are then translated into US dollars for external reporting purposes. Management believes it assists in understanding the performance of Signet and its segments if constant currency figures are given. This is particularly so in periods when exchange rates are volatile. The constant currency amounts are calculated by retranslating the prior year figures using the current year's exchange rate. Management considers it useful to exclude the impact of movements in the British pound and Canadian dollar to US dollar exchange rates to analyze and explain changes and trends in Signet's underlying business, which is consistent with the manner in which management evaluates performance of its businesses which do not operate using the US dollar as their functional currency. Additionally, in connection with management's evaluation of its attainment of performance goals, currency effects are excluded.

Table of Contents

(a) Fiscal 2016 percentage change in results at constant exchange rates

(in millions, except per share amounts)	Fiscal 2016	Fiscal 2015	Change %	Impact of exchange rate movement	Fiscal 2015 at constant exchange rates (non-GAAP)	Fiscal 2016 change at constant exchange rates (non-GAAP) %
Sales by segment:						
Sterling Jewelers	$3,988.7	$3,765.0	5.9 %	$ —	$3,765.0	5.9 %
Zale Jewelry	1,568.2	1,068.7	46.7	(31.7)	1,037.0	51.2
Piercing Pagoda	243.2	146.9	65.6	—	146.9	65.6
UK Jewelry	737.6	743.6	(0.8)	(47.3)	696.3	5.9
Other	12.5	12.1	3.3	—	12.1	3.3
Total sales	6,550.2	5,736.3	14.2	(79.0)	5,657.3	15.8
Cost of sales	(4,109.8)	(3,662.1)	(12.2)	56.2	(3,605.9)	(14.0)
Gross margin	2,440.4	2,074.2	17.7	(22.8)	2,051.4	19.0
Selling, general and administrative expenses	(1,987.6)	(1,712.9)	(16.0)	21.2	(1,691.7)	(17.5)
Other operating income, net	250.9	215.3	16.5	0.2	215.5	16.4
Operating income (loss) by segment:						
Sterling Jewelers	718.6	624.3	15.1	—	624.3	15.1
Zale Jewelry(1)	44.3	(1.9)	nm	0.3	(1.6)	nm
Piercing Pagoda(2)	7.8	(6.3)	nm	—	(6.3)	nm
UK Jewelry	61.5	52.2	17.8	(2.0)	50.2	22.5
Other(3)	(128.5)	(91.7)	(40.1)	0.3	(91.4)	(40.6)
Total operating income	703.7	576.6	22.0	(1.4)	575.2	22.3
Interest expense, net	(45.9)	(36.0)	(27.5)	—	(36.0)	(27.5)
Income before income taxes	657.8	540.6	21.7	(1.4)	539.2	22.0
Income taxes	(189.9)	(159.3)	(19.2)	0.1	(159.2)	(19.3)
Net income	$467.9	$381.3	22.7 %	$ (1.3)	$380.0	23.1 %
Basic earnings per share	$5.89	$4.77	23.5 %	$ (0.01)	$4.76	23.7 %
Diluted earnings per share	$5.87	$4.75	23.6 %	$ (0.01)	$4.74	23.8 %

(1) Zale Jewelry includes net operating loss impact of $23.1 million and $35.1 million for purchase accounting adjustments in Fiscal 2016 and Fiscal 2015, respectively.

(2) Piercing Pagoda includes net operating loss impact of $3.3 million and $10.8 million for purchase accounting adjustments in Fiscal 2016 and Fiscal 2015, respectively.

(3) Other includes $78.9 million and $59.8 million of transaction and integration expenses in Fiscal 2016 and Fiscal 2015, respectively. Transaction and integration costs include expenses associated with advisor fees for legal, tax, accounting, information technology implementation, consulting, severance, as well as the legal settlement of $34.2 million over appraisal rights in Fiscal 2016.

Table of Contents

(b) Fourth quarter Fiscal 2016 percentage change in results at constant exchange rates

(in millions, except per share amounts)	13 weeks ended January 30, 2016	13 weeks ended January 31, 2015	Change %	Impact of exchange rate movement	13 weeks ended January 31, 2015 at constant exchange rates (non-GAAP)	13 weeks ended January 30, 2016 change at constant exchange rates (non-GAAP) %
Sales by segment:						
Sterling Jewelers	$1,452.5	$1,358.3	6.9 %	$ —	$ 1,358.3	6.9 %
Zale Jewelry	577.0	564.6	2.2	(16.3)	548.3	5.2
Piercing Pagoda	78.1	72.1	8.3	—	72.1	8.3
UK Jewelry	282.6	278.0	1.7	(11.1)	266.9	5.9
Other	2.4	3.4	(29.4)	—	3.4	(29.4)
Total sales	2,392.6	2,276.4	5.1	(27.4)	2,249.0	6.4
Cost of sales	(1,376.6)	(1,364.3)	(0.9)	18.0	(1,346.3)	(2.3)
Gross margin	1,016.0	912.1	11.4	(9.4)	902.7	12.6
Selling, general and administrative expenses	(686.6)	(634.5)	(8.2)	7.7	(626.8)	(9.5)
Other operating income, net	63.7	54.1	17.7	0.2	54.3	17.3
Operating income (loss) by segment:						
Sterling Jewelers	305.4	260.0	17.5	—	260.0	17.5
Zale Jewelry(1)	54.2	32.8	65.2	0.4	33.2	63.3
Piercing Pagoda(2)	8.8	3.3	166.7	—	3.3	166.7
UK Jewelry	57.8	53.8	7.4	(2.0)	51.8	11.6
Other(3)	(33.1)	(18.2)	(81.9)	0.1	(18.1)	(82.9)
Total operating income	393.1	331.7	18.5	(1.5)	330.2	19.0
Interest expense, net	(12.1)	(7.9)	(53.2)	(0.1)	(8.0)	(51.3)
Income before income taxes	381.0	323.8	17.7	(1.6)	322.2	18.2
Income taxes	(109.1)	(95.8)	(13.9)	0.2	(95.6)	(14.1)
Net income	$271.9	$228.0	19.3 %	$ (1.4)	$ 226.6	20.0 %
Basic earnings per share	$3.43	$2.85	20.4 %	$ (0.01)	$ 2.84	20.8 %
Diluted earnings per share	$3.42	$2.84	20.4 %	$ (0.01)	$ 2.83	20.8 %

(1) Zale Jewelry includes net operating loss impact of $6.0 million and $14.7 million for purchase accounting adjustments in Fiscal 2016 and Fiscal 2015, respectively.

(2) Piercing Pagoda includes net operating loss impact of $0.2 million and $6.1 million for purchase accounting adjustments in Fiscal 2016 and Fiscal 2015, respectively.

(3) Other includes $19.1 million and $9.2 million of transaction and integration expenses in Fiscal 2016 and Fiscal 2015, respectively. Transaction and integration costs include expenses associated with legal, tax, accounting, information technology implementation, consulting and severance.

Table of Contents

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

(in millions, except per share amounts)	Fiscal 2015	Fiscal 2014	Change %	Impact of exchange rate movement	Fiscal 2014 at constant exchange rates (non-GAAP)	Fiscal 2015 change at constant exchange rates (non-GAAP) %
Sales by segment:						
Sterling Jewelers	$3,765.0	$3,517.6	7.0 %	$ —	$3,517.6	7.0 %
Zale Jewelry	1,068.7	n/a	nm	nm	n/a	nm
Piercing Pagoda	146.9	n/a	nm	nm	n/a	nm
UK Jewelry	743.6	685.6	8.5	18.0	703.6	5.7
Other	12.1	6.0	101.7	—	6.0	101.7
Total sales	5,736.3	4,209.2	36.3	18.0	4,227.2	35.7
Cost of sales	(3,662.1)	(2,628.7)	(39.3)	(14.9)	(2,643.6)	(38.5)
Gross margin	2,074.2	1,580.5	31.2	3.1	1,583.6	31.0
Selling, general and administrative expenses	(1,712.9)	(1,196.7)	(43.1)	(6.3)	(1,203.0)	(42.4)
Other operating income, net	215.3	186.7	15.3	—	186.7	15.3
Operating income (loss) by segment:						
Sterling Jewelers	624.3	553.2	12.9	—	553.2	12.9
Zale Jewelry(1)	(1.9)	n/a	nm	nm	n/a	nm
Piercing Pagoda(2)	(6.3)	n/a	nm	nm	n/a	nm
UK Jewelry	52.2	42.4	23.1	(3.2)	39.2	33.2
Other(3)	(91.7)	(25.1)	(265.3)	—	(25.1)	(265.3)
Total operating income	576.6	570.5	1.1	(3.2)	567.3	1.6
Interest expense, net	(36.0)	(4.0)	(800.0)	—	(4.0)	(800.0)
Income before income taxes	540.6	566.5	(4.6)	(3.2)	563.3	(4.0)
Income taxes	(159.3)	(198.5)	19.7	0.8	(197.7)	19.4
Net income	$381.3	$368.0	3.6 %	$ (2.4)	$365.6	4.3 %
Basic earnings per share	$4.77	$4.59	3.9 %	$ (0.03)	$4.56	4.6 %
Diluted earnings per share	$4.75	$4.56	4.2 %	$ (0.03)	$4.53	4.9 %

(1) Zale Jewelry includes net operating loss impact of $35.1 million for purchase accounting adjustments.

(2) Piercing Pagoda includes net operating loss impact of $10.8 million for purchase accounting adjustments.

(3) Other includes $59.8 million of transaction and integration expenses in Fiscal 2015. Transaction and integration costs include expenses associated with legal, tax, accounting, information technology implementation, consulting and severance.

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

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

Table of Contents

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

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

(1) Zale Jewelry includes net operating loss impact of $14.7 million for purchase accounting adjustments in Fiscal 2015.

(2) Piercing Pagoda includes net operating loss impact of $6.1 million for purchase accounting adjustments in Fiscal 2015.

(3) Other includes $9.2 million of transaction and integration expenses in Fiscal 2015. Transaction and integration costs include expenses associated with legal, tax, accounting, information technology implementation, consulting and severance.

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

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

2. Operating data reflecting the impact of material acquisitions and acquisition-related costs

The below table reflects the impact of costs associated with the acquisition of Zale Corporation, along with certain other accounting adjustments made. Management finds the information useful to analyze the results of the business excluding these items in order to appropriately evaluate the performance of the business without the impact of significant and unusual items. Management views acquisition-related impacts as events that are not necessarily reflective of operational performance during a period. In particular, management believes the consideration of measures that exclude such expenses can assist in the comparison of operational performance in different periods which may or may not include such expenses.

Table of Contents

(a) Fiscal 2016 operating data reflecting the impact of acquisition-related costs and accounting adjustments

Fiscal 2016 (in millions, except per share amount and % of sales)	Adjusted Signet		Accounting adjustments[1]	Transaction/Integration costs[2]	Signet consolidated, as reported	
Sales	$6,577.4	100.0 %	$ (27.2)	$ —	$6,550.2	100.0 %
Cost of sales	(4,101.4)	(62.4)%	(8.4)	—	(4,109.8)	(62.7)%
Gross margin	2,476.0	37.6 %	(35.6)	—	2,440.4	37.3 %
Selling, general and administrative expenses	(1,917.9)	(29.1)%	9.2	(78.9)	(1,987.6)	(30.4)%
Other operating income, net	250.9	3.8 %	—	—	250.9	3.8 %
Operating income (loss)	809.0	12.3 %	(26.4)	(78.9)	703.7	10.7 %
Interest expense, net	(45.9)	(0.7)%	—	—	(45.9)	(0.7)%
Income before income taxes	763.1	11.6 %	(26.4)	(78.9)	657.8	10.0 %
Income taxes	(216.0)	(3.3)%	9.3	16.8	(189.9)	(2.9)%
Net income (loss)	547.1	8.3 %	(17.1)	(62.1)	467.9	7.1 %
Diluted earnings per share	$6.86		$ (0.21)	$ (0.78)	$5.87	

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

(2) Transaction and integration costs are primarily attributable to the legal settlement of $34.2 million over appraisal rights, expenses associated with advisor fees for legal, tax, accounting, information technology implementation, consulting, as well as severance costs. These costs are included within Signet's Other segment.

(b) Fourth quarter Fiscal 2016 operating data reflecting the impact of acquisition-related costs and accounting adjustments

Fourth Quarter Fiscal 2016 (in millions, except per share amount and % of sales)	Adjusted Signet		Accounting adjustments[1]	Transaction/Integration costs[2]	Signet consolidated, as reported	
Sales	$2,397.8	100.0 %	$ (5.2)	$ —	$2,392.6	100.0 %
Cost of sales	(1,377.1)	(57.4)%	0.5	—	(1,376.6)	(57.5)%
Gross margin	1,020.7	42.6 %	(4.7)	—	1,016.0	42.5 %
Selling, general and administrative expenses	(666.0)	(27.8)%	(1.5)	(19.1)	(686.6)	(28.7)%
Other operating income, net	63.7	2.6 %	—	—	63.7	2.6 %
Operating income (loss)	418.4	17.4 %	(6.2)	(19.1)	393.1	16.4 %
Interest expense, net	(12.1)	(0.5)%	—	—	(12.1)	(0.5)%
Income before income taxes	406.3	16.9 %	(6.2)	(19.1)	381.0	15.9 %
Income taxes	(117.8)	(4.9)%	1.8	6.9	(109.1)	(4.5)%
Net income (loss)	288.5	12.0 %	(4.4)	(12.2)	271.9	11.4 %

Diluted earnings per share	$3.63	$ (0.06)	$ (0.15)	$3.42

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

(2) Transaction and integration costs include expenses associated with information technology implementations and consulting as well as severance costs to drive synergies. These costs are included within Signet's Other segment.

Table of Contents

(c) Fiscal 2015 operating data reflecting the impact of acquisition-related costs and accounting adjustments

Fiscal 2015 (in millions, except per share amount and % of sales)	Adjusted Signet		Accounting adjustments[1]	Transaction/Integration costs[2]	Signet consolidated, as reported	
Sales	$5,769.9	100.0 %	$ (33.6)	$ —	$5,736.3	100.0 %
Cost of sales	(3,638.4)	(63.1)%	(23.7)	—	(3,662.1)	(63.8)%
Gross margin	2,131.5	36.9 %	(57.3)	—	2,074.2	36.2 %
Selling, general and administrative expenses	(1,664.5)	(28.8)%	11.4	(59.8)	(1,712.9)	(29.9)%
Other operating income, net	215.3	3.7 %	—	—	215.3	3.7 %
Operating income (loss)	682.3	11.8 %	(45.9)	(59.8)	576.6	10.0 %
Interest expense, net	(36.0)	(0.6)%	—	—	(36.0)	(0.6)%
Income before income taxes	646.3	11.2 %	(45.9)	(59.8)	540.6	9.4 %
Income taxes	(195.2)	(3.4)%	17.4	18.5	(159.3)	(2.8)%
Net income (loss)	451.1	7.8 %	(28.5)	(41.3)	381.3	6.6 %
Diluted earnings per share	$5.63		$ (0.36)	$ (0.51)	$4.75	

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

(2) Transaction and integration costs include expenses associated with advisor fees for legal, tax, accounting, information technology implementation and consulting. Severance costs related to Zale and other management changes are also included to conform with current year presentation. These costs are included within Signet’s Other segment.

(d) Fourth quarter Fiscal 2015 operating data reflecting the impact of acquisition-related costs and accounting adjustments

Fourth Quarter Fiscal 2015 (in millions, except per share amount and % of sales)	Adjusted Signet		Accounting adjustments[1]	Transaction/Integration costs[2]	Signet consolidated, as reported	
Sales	$2,289.2	100.0 %	$ (12.8)	$ —	$2,276.4	100.0 %
Cost of sales	(1,352.3)	(59.1)%	(12.0)	—	(1,364.3)	(59.9)%
Gross margin	936.9	40.9 %	(24.8)	—	912.1	40.1 %
Selling, general and administrative expenses	(629.3)	(27.5)%	4.0	(9.2)	(634.5)	(27.9)%
Other operating income, net	54.1	2.4 %	—	—	54.1	2.4 %
Operating income (loss)	361.7	15.8 %	(20.8)	(9.2)	331.7	14.6 %
Interest expense, net	(10.7)	(0.5)%	2.8	—	(7.9)	(0.4)%
Income before income taxes	351.0	15.3 %	(18.0)	(9.2)	323.8	14.2 %
Income taxes	(105.4)	(4.6)%	6.8	2.8	(95.8)	(4.2)%

Net income (loss)	245.6	10.7 %	(11.2)	(6.4)	228.0	10.0 %
Diluted earnings per share	$3.06		$ (0.14)	$ (0.08)	$2.84	

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

(2) Transaction and integration costs include expenses associated with advisor fees for legal, tax, accounting, information technology implementation and consulting. Severance costs related to Zale and other management changes are also included to conform with current year presentation. These costs are included within Signet's Other segment.

Table of Contents

3. Net Cash (Debt)

Net cash (debt) is the total of cash and cash equivalents less loans, overdrafts and long-term debt. Management considers this metric to be helpful in understanding the total indebtedness of the Company after consideration of liquidity available from cash balances on-hand.

(in millions)	January 30, 2016	January 31, 2015	February 1, 2014
Cash and cash equivalents	$ 137.7	$ 193.6	$ 247.6
Loans and overdrafts	(59.5)	(97.5)	(19.3)
Long-term debt	(1,328.7)	(1,363.8)	—
Net (debt) cash	$ (1,250.5)		