beautiful
beautiful
this is a beautiful business
She gets up every morning, washes her hair, puts on makeup and goes out to meet the day. She could be anywhere in age from late teens to early fifties, and she’s busy – juggling family, maybe school or a career, and an unforgiving schedule. If she could find one place to meet all of her beauty needs, that was close to home, easy and fun to shop, and a place she never felt pressured, well, that would be her beauty destination from now on.
With her and millions of women just like her specifically in mind, we defined our mission at Ulta. We listened, learned and committed ourselves to the never-ending process of meeting their beauty needs, even if we needed to break the industry rules. Ulta has changed the beauty product distribution paradigm to bring prestige, mass, professional haircare and a full service salon under one roof. We also have transformed the customer experience by providing affordable indulgence in a comfortable, no pressure environment. As a result, we provide our customers a full complement of products and services in sleek, modern stores in convenient off-mall locations with a friendly, knowledgeable sales approach. Our relationship with our customers is at the heart of who we are, and helping them feel beautiful while providing an escape from their busy everyday world is what we’re all about.

 Millions of customer relationships, created and nurtured, enabled us to deliver fiscal 2007 financial results consistent with our promise to investors. We recorded our 32nd consecutive quarter of comparable store sales growth and achieved a comparable store sales increase of 6.4 percent for the year. We increased net sales 20.8 percent to $912 million. We opened 53 new stores, representing 28 percent square footage growth, ending the year with 249 stores, and introduced several new brands, including dermalogica skincare and Stila cosmetics. And we continued to drive growth in our salon business by investing
in recruiting and training and improving the overall experience.

We began fiscal 2008 by completing our 33rd consecutive quarter of comparable store sales growth. Given the current economic climate, we are fortunate to be in a more resilient category that generates repeat purchases. While this does not guarantee success, we believe the combination of our marketing strategies, value proposition and indulgent store experience will allow us to achieve our financial and growth targets for the remainder of 2008. During the first quarter, we opened 17 new stores keeping us on track to open 63 new stores for the full year, and we successfully opened our second distribution facility in Phoenix, Arizona.

In addition to managing store growth, we will also continue to expand our e-commerce business by leveraging our new Ulta.com platform throughout the remainder of 2008. Looking toward 2009 and beyond, we believe that our strategy will help us deliver our long-term new store growth target of 1,000 stores balanced between both new and existing markets, allowing us to appropriately manage both our top and bottom line financial performance. And we have the financial resources to support our long term growth plans.

I would be remiss if I did not take this opportunity to personally thank each of our employees, especially our wonderful store teams. Their passion in delivering an enjoyable experience to each of our
customers is what makes all of our growth possible. I would also like to thank our Board members for their contributions and, finally, our shareholders for their continued trust in us.

We have a proven strategy with a track record of delivering profitable growth, and significant expansion opportunities in front of us. Add the simple fact that Ulta is the only pure play publicly traded retailer in the beauty category, and Ulta becomes a truly unique investment opportunity.

With the beauty we bring to the world, and the business results we generate, this is, indeed, a beautiful business.
Providing great value and 21,000 products all under one roof is our business – but our passion is to provide an approachable experience that makes women feel confident and beautiful. That’s Ulta – a beautiful business.
Day-in and day-out, she can choose from more than 21,000 prestige and mass products across cosmetics, fragrance, hair and skincare, bath and body, and salon styling tools.
We are a national brand, driving traffic and image with 450 million newspaper inserts, 45 million loyalty member mailings and 140 million national magazine impressions.
We offer compelling value through our Loyalty Club Program, Prestige Cosmetics Sets, Fragrance Gift Sets and Gift with Purchase offers, the deep value of our Private Label Brand and competitive mass hair, skin, and cosmetics pricing.
environment

IT'S MODERN AND SLEEK
YET COMFORTABLE AND INVITING.
IT'S EASY TO NAVIGATE WITH WIDE AISLES
AND CLEAR SIGHT LINES.
IT'S A STRESS-FREE ESCAPE: A PLACE FOR HER TO PLAY, TOUCH AND FEEL PRODUCT, WITH KNOWLEDGEABLE STAFF TO PROVIDE EDUCATION, DEMONSTRATIONS AND MAKE-OVERS.
Cutting, Styling, Coloring, Skin Treatments, Waxing — It's a full-service salon, under the same roof with a wide selection of beauty products. Because we're serious about being the one-stop beauty destination.
We are national, in markets large and small, serving a range of demographics, with a proven store model, and we’re less than 25 percent penetrated.
Portions of this report may contain “forward looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934 and the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, which reflect our current views with respect to, among other things, future events and financial performance. Any forward-looking statements contained in this report are based upon our historical performance and on current plans, estimates and expectations. Such forward-looking statements are subject to various risks and uncertainties, including risk factors contained in our Form 10-K for the fiscal year ended February 2, 2008 which is on file with the Securities and Exchange Commission and available at www.sec.gov and at www.ulta.com. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

**Financial Highlights**

**Revenue Growth**
- 2003: $423.9
- 2004: $491.2
- 2005: $574.1
- 2006: $755.1
- 2007: $912.1

5-year compound annual growth rate: 49%

**Net Income Growth**
- 2003: $5.1
- 2004: $9.5
- 2005: $15.0
- 2006: $22.5
- 2007: $25.3

5-year compound annual growth rate: 21%
### CONSOLIDATED INCOME STATEMENT

#### FISCAL YEAR ENDED

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>$423,863</td>
<td>$491,152</td>
<td>$579,075</td>
<td>$755,113</td>
<td>$912,141</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>312,203</td>
<td>346,585</td>
<td>404,794</td>
<td>519,929</td>
<td>628,495</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>111,660</td>
<td>144,567</td>
<td>174,281</td>
<td>235,184</td>
<td>283,646</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>98,446</td>
<td>121,999</td>
<td>140,145</td>
<td>188,000</td>
<td>225,167</td>
</tr>
<tr>
<td><strong>Pre-opening expenses</strong></td>
<td>2,318</td>
<td>4,072</td>
<td>4,712</td>
<td>7,096</td>
<td>11,758</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>10,896</td>
<td>18,496</td>
<td>29,424</td>
<td>40,088</td>
<td>46,721</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td>2,789</td>
<td>2,835</td>
<td>2,951</td>
<td>3,314</td>
<td>4,542</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>8,107</td>
<td>15,661</td>
<td>26,473</td>
<td>36,774</td>
<td>42,179</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>3,023</td>
<td>4,072</td>
<td>4,712</td>
<td>7,096</td>
<td>11,758</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$5,084</td>
<td>$9,460</td>
<td>$15,969</td>
<td>$22,543</td>
<td>$25,335</td>
</tr>
<tr>
<td><strong>Net income per share:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>($2.36)</td>
<td>($0.70)</td>
<td>$0.74</td>
<td>$1.38</td>
<td>$0.69</td>
</tr>
<tr>
<td>Diluted</td>
<td>($2.36)</td>
<td>($0.70)</td>
<td>$0.33</td>
<td>$0.45</td>
<td>$0.48</td>
</tr>
</tbody>
</table>

**Net sales** includes net sales of approximately $16.4 million in net sales for the 53rd week in fiscal 2006.

### BALANCE SHEET & OTHER OPERATING DATA

#### FISCAL YEAR ENDED

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Comparable store sales increase</strong></td>
<td>6.2%</td>
<td>8.0%</td>
<td>8.3%</td>
<td>14.5%</td>
<td>6.4%</td>
</tr>
<tr>
<td><strong>Number of stores end of year</strong></td>
<td>126</td>
<td>142</td>
<td>167</td>
<td>196</td>
<td>249</td>
</tr>
<tr>
<td><strong>Total square footage end of year</strong></td>
<td>1,285,857</td>
<td>1,464,330</td>
<td>1,726,563</td>
<td>2,023,305</td>
<td>2,589,244</td>
</tr>
<tr>
<td><strong>Total square footage per store</strong></td>
<td>10,205</td>
<td>10,312</td>
<td>10,339</td>
<td>10,323</td>
<td>10,399</td>
</tr>
<tr>
<td><strong>Average total square footage</strong></td>
<td>1,216,777</td>
<td>1,374,005</td>
<td>1,582,935</td>
<td>1,857,885</td>
<td>2,283,935</td>
</tr>
<tr>
<td><strong>Net sales per average total square foot</strong></td>
<td>$348</td>
<td>$357</td>
<td>$366</td>
<td>$398</td>
<td>$399</td>
</tr>
<tr>
<td><strong>Capital expenditures</strong></td>
<td>30,354</td>
<td>34,807</td>
<td>41,607</td>
<td>62,331</td>
<td>101,866</td>
</tr>
<tr>
<td><strong>Depreciation and amortization</strong></td>
<td>15,411</td>
<td>18,304</td>
<td>22,285</td>
<td>29,736</td>
<td>39,503</td>
</tr>
<tr>
<td><strong>Debt to equity ratio</strong></td>
<td>46%</td>
<td>45%</td>
<td>41%</td>
<td>37%</td>
<td>35%</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td>3,178</td>
<td>3,004</td>
<td>2,839</td>
<td>3,645</td>
<td>3,789</td>
</tr>
<tr>
<td><strong>Working capital</strong></td>
<td>60,751</td>
<td>69,955</td>
<td>76,473</td>
<td>88,105</td>
<td>117,039</td>
</tr>
<tr>
<td><strong>Property and equipment, net</strong></td>
<td>99,577</td>
<td>114,912</td>
<td>133,003</td>
<td>162,080</td>
<td>236,389</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>206,420</td>
<td>253,425</td>
<td>282,615</td>
<td>338,597</td>
<td>469,413</td>
</tr>
<tr>
<td><strong>Total debt</strong></td>
<td>42,906</td>
<td>47,008</td>
<td>50,173</td>
<td>53,293</td>
<td>53,293</td>
</tr>
<tr>
<td><strong>Total stockholders’ equity</strong></td>
<td>92,778</td>
<td>105,308</td>
<td>123,015</td>
<td>148,760</td>
<td>211,503</td>
</tr>
</tbody>
</table>

1. Comparable store sales increase reflects sales for stores beginning on the first day of the 14th month of operation. Remodeled stores are included in comparable store sales unless the store was closed for a portion of the current or comparable prior year.
2. Total square footage per store is calculated by dividing total square footage at end of year by number of stores at end of year.
3. Average total square footage represents weighted average which reflects the effect of opening stores in different months throughout the year.
4. Net sales per average total square foot was calculated by dividing net sales for the year by the average square footage for those stores open during each year. Fiscal 2006 net sales per average total square foot were adjusted to exclude the net sales effect of the 53rd week.

---

Our fiscal year-end is the Saturday closest to January 31 based on a 52/53-week year. Each fiscal year consists of four 13-week quarters, with an extra week added onto the fourth quarter every five or six years.

Fiscal 2006 was a 53-week operating year and the 53rd week represented approximately $16.4 million in net sales.
As we look forward, the continued execution of our proven growth strategy, strong balance sheet, and cash flows from our existing store base of over 265 stores, leaves us well positioned to deliver very exciting and profitable sales growth consistent with our track record.
CORPORATE AND SHAREHOLDER INFORMATION

COMPANY HEADQUARTERS
Ulta Salon, Cosmetics & Fragrance, Inc.
1000 Remington Boulevard
Suite 120
Bolingbrook, IL 60440
630.410.4800
Ultacom

ANNUAL MEETING
The Annual Meeting of Stockholders will
be held at 10:00 a.m. on Wednesday,
July 16, 2008, at:

Ulta company headquarters
1000 Remington Boulevard
Bolingbrook, IL 60440

TRANSFER AGENT AND REGISTRAR
American Stock Transfer & Trust Company
Operations Center
6201 – 15th Avenue
Brooklyn, NY 11219
800.937.3449

STOCKHOLDER INQUIRIES
Ulta Investor Relations
1000 Remington Boulevard
Suite 120
Bolingbrook, IL 60440
630.410.4627
InvestorRelations@ulta.com

INDEPENDENT REGISTERED PUBLIC
ACCOUNTING FIRM
Ernst & Young LLP
Chicago, IL

ADDITIONAL FINANCIAL INFORMATION
Management’s discussion and analysis of financial condition and results of operations, audited financial statements, and
certifications by our Chief Executive and Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act of 2002
are included in our Form 10-K for the fiscal year ended February 2, 2008 filed with the Securities and Exchange Commission

CREDITS
All hair and makeup by Ulta associates.
Hair: Victoria Meyer, Sara Branney, Sarah Burrall
Makeup: Kathy Slusarczyk, Diane Santrock
Design: Samantha Mason
Portrait/Lifestyle Photography: Chris Kirzader
Product/Publication Photography: Michael Maes
Printing: Lake County Press
Ulta carries thousands of products, the employees are helpful, and I can get everything I need in one stop.

Cristy, 23 years old, customer
Ulta is great for me because I need a one stop shop. I am a mother of 4 and don’t have much time.

**KrisTaa, 35 YeaaR Old, CuStoMeeR**
I feel proud of my team, a group of passionate individuals dedicated to creating a wonderful experience for our guests.

Irena, 31 years old, Ulta Associate
I love to shop at Ulta because when I’m having a bad day or something, I’ll go to Ulta and I walk out with a big smile on my face.

ESTHER, 18 YEARS OLD, CUSTOMER
[Ulta is] Sexy!
Young! Beautiful!

JOANNA, 43 YEARS OLD, CUSTOMER