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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
450 Fifth Street NW  
Washington, D.C. 29549**

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**Form 8-K**

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**CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): August 23, 2007

**THE CATO CORPORATION**

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(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction  
of Incorporation)

1-31340

(Commission  
File Number)

56-0484485

(I.R.S. Employer  
Identification Number)

8100 Denmark Road, Charlotte, North Carolina

(Address of Principal Executive Offices)

28273-5975

(Zip Code)

(704) 554-8510

(Registrant's telephone number, including area code)

Not Applicable

(Former Name or Former Address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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THE CATO CORPORATION

Item 2.02. Results of Operations and Financial Condition.

On August 23, 2007, The Cato Corporation issued a press release regarding its financial results for the second quarter ending August 4, 2007. A copy of this press release is furnished as Exhibit 99.1 hereto.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit 99.1 — Press Release issued August 23, 2007.

SIGNATURES

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

THE CATO CORPORATION

August 24, 2007

Date

/s/ John P. D. Cato

John P. D. Cato  
Chairman, President and  
Chief Executive Officer

August 24, 2007

Date

/s/ Thomas W. Stoltz

Thomas W. Stoltz  
Executive Vice President  
Chief Financial Officer

Exhibit Index

Exhibit

Exhibit No.

Press Release issued August 23, 2007

99.1



**NEWS RELEASE**

**FOR IMMEDIATE RELEASE**

CEO Approval \_\_\_\_\_

For Further Information Contact:  
Thomas W. Stoltz  
Executive Vice President  
Chief Financial Officer  
704-551-7201

**CATO REPORTS 2Q EPS UP 3%  
Reaffirms Second Half Guidance**

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Charlotte, NC (August 23, 2007) — The Cato Corporation (NYSE: CTR) today reported net income of \$12.5 million or \$.39 per diluted share for the second quarter ended August 4, 2007, compared to net income of \$12.1 million or \$.38 per diluted share for the second quarter ended July 29, 2006. Both net income and earnings per diluted share increased 3% over last year. Sales for the second quarter were \$219.0 million, a 2% increase over sales of \$214.6 million last year. Second quarter comparable store sales decreased 1%.

For the six months ended August 4, 2007, the Company earned net income of \$31.2 million or \$.97 per diluted share, compared with net income of \$32.9 million or \$1.04 per diluted share for the six months ended July 29, 2006, a decrease in net income of 5% and a decrease in earnings per diluted share of 7%. Sales for the first half were \$443.1 million, flat compared to the prior year's first half sales of \$444.4 million. Comparable store sales for the first half decreased 3% from first half 2006.

“Our results through the first half reflect the challenging apparel retail environment,” said John Cato, Chairman, President, and Chief Executive Officer. “Sell-throughs of regular priced goods have been below last year and, when coupled with higher markdowns, are the primary reason for the decrease in gross margin. Our inventory is in line with sales as we begin the third quarter.”

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The Company's income from operations was in line with previous guidance. Second quarter results were \$.02 above the Company's estimate due primarily to an effective tax rate lower than anticipated due to volatility between quarters and higher tax credits. When compared to the prior year, second quarter and first half SG&A costs decreased from 24.1% to 23.9% and 23.9% to 23.4%, respectively, due primarily to a reduction in accrued incentive compensation.

The Company's expectations for earnings per diluted share in the second half are unchanged from previous guidance. Comparable store sales for both the third and fourth quarters are estimated to be in the range of down 3% to flat. For the third quarter, earnings per diluted share are estimated to be in the range of \$.10 to \$.15 versus \$.18 in 2006. For the fourth quarter, the Company expects earnings per diluted share to be in the range of \$.15 to \$.25 versus \$.40 in 2006. Fourth quarter 2006 included 14 weeks and several positive one-time adjustments. For the year, after adjusting for second quarter actual results, earnings per diluted share are expected to be in the range of \$1.23 to \$1.38 versus \$1.62 last year, a decrease of 24% to 15%.

During the first half, the Company opened 31 new stores, relocated 10 stores, and closed one store. The Company now expects to open approximately 70 stores during 2007 as compared to its previous guidance of 80 stores. As of August 4, 2007, The Cato Corporation operated 1,306 stores in 31 states, compared to 1,259 stores in 31 states as of July 29, 2006.

The Cato Corporation is a leading specialty retailer of value-priced women's fashion apparel operating two divisions, "Cato" and "It's Fashion!". The Company offers exclusive merchandise with fashion and quality comparable to mall specialty stores at low prices, everyday. Additional information on The Cato Corporation is available at [www.catocorp.com](http://www.catocorp.com).

*Statements in this press release not historical in nature including, without limitation, statements regarding the Company's expected or estimated financial results for the third quarter, fourth quarter and full year and any related assumptions, as well as the Company's expected plans for full year store openings are considered "forward-looking" within the meaning of The Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current expectations that are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those contemplated by the forward-looking statements. Such factors include, but are not limited to, the following: general economic conditions; competitive factors and pricing pressures; the Company's ability to predict fashion trends; consumer apparel buying patterns; adverse weather conditions and inventory risks due to shifts in market demand and other factors discussed under "Risk Factors" in Part I, Item 1A of the Company's most recently filed annual report on Form 10-K, as amended or supplemented, and in*

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*other reports the Company files with or furnishes to the SEC from time to time. The Company does not undertake to publicly update or revise the forward-looking statements even if experience or future changes make it clear that the projected results expressed or implied therein will not be realized. The Company is not responsible for any changes made to this press release by wire or Internet services.*

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**THE CATO CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**  
**FOR THE PERIODS ENDED AUGUST 4, 2007 AND JULY 29, 2006**  
(Dollars in thousands, except per share data)

	Quarter Ended				Six Months Ended			
	August 4, 2007	% Sales	July 29, 2006	% Sales	August 4, 2007	% Sales	July 29, 2006	% Sales
<b>REVENUES</b>								
Retail sales	\$ 218,973	100.0%	\$ 214,633	100.0%	\$ 443,107	100.0%	\$ 444,374	100.0%
Other income (principally finance, late fees and layaway charges)	2,961	1.3%	3,212	1.5%	6,056	1.4%	6,531	1.5%
Total revenues	<u>221,934</u>	<u>101.3%</u>	<u>217,845</u>	<u>101.5%</u>	<u>449,163</u>	<u>101.4%</u>	<u>450,905</u>	<u>101.5%</u>
<b>GROSS MARGIN (Memo)</b>	<b>71,459</b>	<b>32.6%</b>	<b>70,887</b>	<b>33.0%</b>	<b>152,171</b>	<b>34.3%</b>	<b>158,516</b>	<b>35.7%</b>
<b>COSTS AND EXPENSES, NET</b>								
Cost of goods sold	147,514	67.4%	143,746	67.0%	290,936	65.7%	285,858	64.3%
Selling, general and administrative	52,463	23.9%	51,772	24.1%	103,599	23.4%	106,349	23.9%
Depreciation	5,623	2.6%	5,223	2.4%	11,014	2.5%	10,391	2.4%
Interest and other income	(2,316)	-1.1%	(1,940)	-0.9%	(4,209)	-1.0%	(3,492)	-0.8%
Cost and expenses, net	<u>203,284</u>	<u>92.8%</u>	<u>198,801</u>	<u>92.6%</u>	<u>401,340</u>	<u>90.6%</u>	<u>399,106</u>	<u>89.8%</u>
Income Before Income Taxes	18,650	8.5%	19,044	8.9%	47,823	10.8%	51,799	11.7%
Income Tax Expense	6,140	2.8%	6,951	3.3%	16,642	3.8%	18,907	4.3%
Net Income	<u>\$ 12,510</u>	<u>5.7%</u>	<u>\$ 12,093</u>	<u>5.6%</u>	<u>\$ 31,181</u>	<u>7.0%</u>	<u>\$ 32,892</u>	<u>7.4%</u>
Basic Earnings Per Share	<u>\$ 0.39</u>		<u>\$ 0.39</u>		<u>\$ 0.99</u>		<u>\$ 1.05</u>	
Basic Weighted Average Shares	<u>31,897,365</u>		<u>31,267,637</u>		<u>31,624,979</u>		<u>31,250,921</u>	
Diluted Earnings Per Share	<u>\$ 0.39</u>		<u>\$ 0.38</u>		<u>\$ 0.97</u>		<u>\$ 1.04</u>	
Diluted Weighted Average Shares	<u>32,189,903</u>		<u>31,803,875</u>		<u>32,040,169</u>		<u>31,765,992</u>	

**THE CATO CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Dollars in thousands)

	August 4, 2007 (Unaudited)	July 29, 2006 (Unaudited)	February 3, 2007
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 19,929	\$ 21,809	\$ 24,833
Short-term investments	150,387	94,171	98,709
Accounts receivable — net	45,533	46,436	45,958
Merchandise inventories	99,236	91,989	115,918
Other current assets	14,719	10,970	14,095
Total Current Assets	<u>329,804</u>	<u>265,375</u>	<u>299,513</u>
Property and Equipment — net	126,573	130,422	128,461
Other Assets	4,279	11,201	4,348
TOTAL	<u>\$ 460,656</u>	<u>\$ 406,998</u>	<u>\$ 432,322</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current Liabilities	\$ 120,180	\$ 108,764	\$ 123,049
Noncurrent Liabilities	32,103	32,491	32,480
Stockholders' Equity	<u>308,373</u>	<u>265,743</u>	<u>276,793</u>
TOTAL	<u>\$ 460,656</u>	<u>\$ 406,998</u>	<u>\$ 432,322</u>