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

Form 8-K

**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 21, 2008

THE CATO CORPORATION

(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 21, 2008, The Cato Corporation issued a press release regarding its financial results for the second quarter ending August 2, 2008. 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 21, 2008.

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 22, 2008

Date

/s/ John P. D. Cato

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

August 22, 2008

Date

/s/ John R. Howe

John R. Howe
Principal Financial Officer
Senior Vice President Controller

Exhibit Index

<u>Exhibit</u>	<u>Exhibit No.</u>
Press Release issued August 21, 2008	99.1

**NEWS RELEASE****FOR IMMEDIATE RELEASE**

CEO Approval _____

For Further Information Contact:
 Stuart L. Uselton
 Executive Vice President
 Chief Administrative Officer
 704-940-7832

**CATO REPORTS 2Q EPS UP 5%
 Provides Second Half Guidance**

Charlotte, NC (August 21, 2008) – The Cato Corporation (NYSE: CTR) today reported net income of \$12.1 million or \$.41 per diluted share for the second quarter ended August 2, 2008, compared to net income of \$12.5 million or \$.39 per diluted share for the second quarter ended August 4, 2007. Net income decreased 3% and earnings per diluted share increased 5% over last year. Sales for the second quarter were \$231.0 million, a 5% increase over sales of \$219.0 million last year. Second quarter comparable store sales increased 2%.

For the six months ended August 2, 2008, the Company earned net income of \$28.9 million or \$.99 per diluted share, compared with net income of \$31.2 million or \$.97 per diluted share for the six months ended August 4, 2007, a 7% decrease in net income and a 2% increase in earnings per diluted share. Sales for the first half were \$456.7 million, an increase of 3% over the prior year's first half sales of \$443.1 million. Comparable store sales for the first half were flat compared to first half 2007.

“Second quarter results benefited from tight inventory management, better sell-throughs of regular priced merchandise and the impact on overall sales from stimulus checks,” said John Cato, Chairman, President, and Chief Executive Officer. “We expect the remainder of the year to be difficult as our customer continues to face difficult economic conditions. We remain comfortable with our original guidance for the second half of the year with earnings per diluted share in a range of (\$.06) to \$.04 versus \$.03 last year.”

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Second quarter gross margin was 35.9 % compared to 32.6% last year due primarily to better merchandise margins. Second quarter SG&A costs as a percent of sales increased to 27.5% from 23.9% last year. The increase in SG&A for the quarter was primarily a result of the costs associated with closing 47 underperforming stores, higher than expected medical costs and an increase in accrued incentive compensation.

Based on year-to-date results and our original guidance for the second half, we estimate earnings per diluted share for the year to be in the range of \$.93 to \$1.03 versus \$1.03 last year, a decrease of 10% to flat. By quarter, earnings per diluted share are estimated to be in the range of (\$.05) to \$.00 versus \$.09 last year for the third quarter and (\$.01) to \$.04 versus (\$.06) last year for the fourth quarter. Comparable store sales for both the third and fourth quarters are estimated to be in the range of down 3% to flat.

During the first half, the Company opened 32 new stores and closed 63 stores. The Company continues to expect to open approximately 70 stores during 2008. As of August 2, 2008, The Cato Corporation operated 1,287 stores in 31 states, compared to 1,306 stores in 31 states as of August 4, 2007.

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.

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 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 2, 2008 AND AUGUST 4, 2007
(Dollars in thousands, except per share data)

	Quarter Ended				Six Months Ended			
	August 2, 2008	% Sales	August 4, 2007	% Sales	August 2, 2008	% Sales	August 4, 2007	% Sales
REVENUES								
Retail sales	\$ 230,957	100.0%	\$ 218,973	100.0%	\$ 456,748	100.0%	\$ 443,107	100.0%
Other income (principally finance, late fees and layaway charges)	2,911	1.3%	2,961	1.3%	5,948	1.3%	6,056	1.4%
Total revenues	233,868	101.3%	221,934	101.3%	462,696	101.3%	449,163	101.4%
GROSS MARGIN								
(Memo)	82,937	35.9%	71,459	32.6%	167,108	36.6%	152,171	34.3%
COSTS AND EXPENSES, NET								
Cost of goods sold	148,020	64.1%	147,514	67.4%	289,640	63.4%	290,936	65.7%
Selling, general and administrative	63,580	27.5%	52,463	23.9%	119,896	26.2%	103,599	23.4%
Depreciation	5,657	2.5%	5,623	2.6%	11,267	2.5%	11,014	2.5%
Interest and other income	(1,709)	-0.7%	(2,316)	-1.1%	(3,609)	-0.8%	(4,209)	-1.0%
Cost and expenses, net	215,548	93.4%	203,284	92.8%	417,194	91.3%	401,340	90.6%
Income Before Income Taxes	18,320	7.9%	18,650	8.5%	45,502	10.0%	47,823	10.8%
Income Tax Expense	6,229	2.7%	6,140	2.8%	16,558	3.6%	16,642	3.8%
Net Income	\$ 12,091	5.2%	\$ 12,510	5.7%	\$ 28,944	6.4%	\$ 31,181	7.0%
Basic Earnings Per Share	\$ 0.42		\$ 0.39		\$ 0.99		\$ 0.99	
Basic Weighted Average Shares	29,113,017		31,897,365		29,104,465		31,624,979	
Diluted Earnings Per Share	\$ 0.41		\$ 0.39		\$ 0.99		\$ 0.97	
Diluted Weighted Average Shares	29,200,726		32,189,903		29,180,499		32,040,169	

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

	August 2, 2008 (Unaudited)	August 4, 2007 (Unaudited)	February 2, 2008
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 45,371	\$ 19,929	\$ 21,583
Short-term investments	107,952	150,387	92,995
Accounts receivable — net	44,026	45,533	45,282
Merchandise inventories	96,864	99,236	118,679
Other current assets	14,784	14,719	14,511
Total Current Assets	308,997	329,804	293,050
Property and Equipment — net	119,952	126,573	123,190
Other Assets	4,482	4,279	4,552
TOTAL	\$ 433,431	\$ 460,656	\$ 420,792

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	\$ 143,214	\$ 120,180	\$ 148,936
Noncurrent Liabilities	22,465	32,103	24,486
Stockholders' Equity	<u>267,752</u>	<u>308,373</u>	<u>247,370</u>
TOTAL	<u>\$ 433,431</u>	<u>\$ 460,656</u>	<u>\$ 420,792</u>