

beautiful

ULTA
BEAUTY





beautiful



beautiful

beautiful

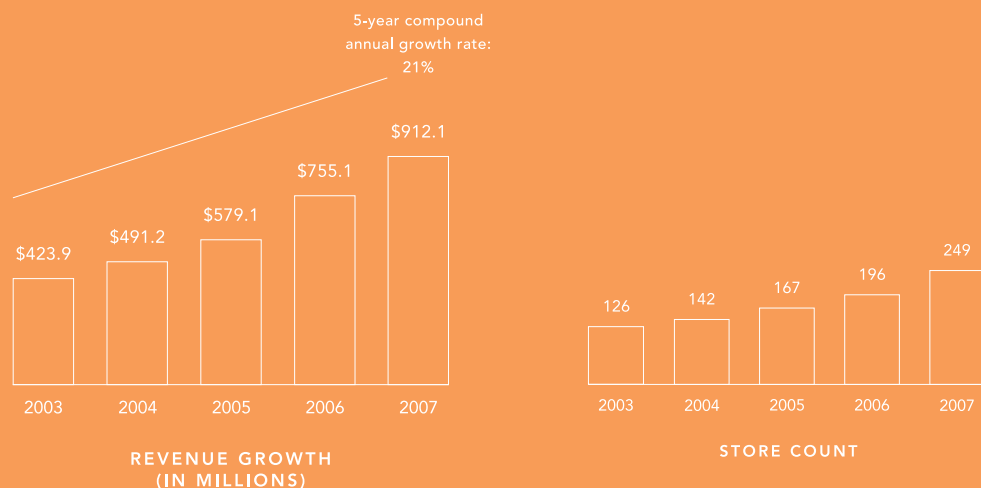




beautiful

this is a beautiful business

ULTA SALON, COSMETICS & FRAGRANCE, INC. 2007 ANNUAL REPORT



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.

(In thousands, except per share and per square foot data)	FISCAL YEAR ENDED ¹				
	January 31, 2004	January 29, 2005	January 28, 2006	February 3, 2007	February 2, 2008
Net sales	\$ 423,863	\$ 491,152	\$ 579,075	\$ 755,113	\$ 912,141
Operating income	10,896	18,496	29,424	40,088	46,721
Net income	5,084	9,460	15,969	22,543	25,335
Diluted income per common share	(2.36)	(0.70)	0.33	0.45	0.48
Comparable store sales increase	6.2%	8.0%	8.3%	14.5%	6.4%
Number of stores end of year	126	142	167	196	249
Total square footage end of year	1,285,857	1,464,330	1,726,563	2,023,305	2,589,244
Capital expenditures	\$ 30,354	\$ 34,807	\$ 41,607	\$ 62,331	\$ 101,866
Depreciation and amortization	15,411	18,304	22,285	29,736	39,503
Total debt ²	42,906	47,008	50,173	55,529	74,770
Total stockholders' equity	92,778	105,308	123,015	148,760	211,503
Debt to equity ratio	46%	45%	41%	37%	35%

¹ Fiscal 2006 was a 53-week operating year and the 53rd week represented approximately \$16.4 million in net sales.

² Total debt includes approximately \$4.8 million related to the Series III preferred stock, which is presented between the liabilities section and the equity section of our consolidated balance sheet for all years prior to February 2, 2008.

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.

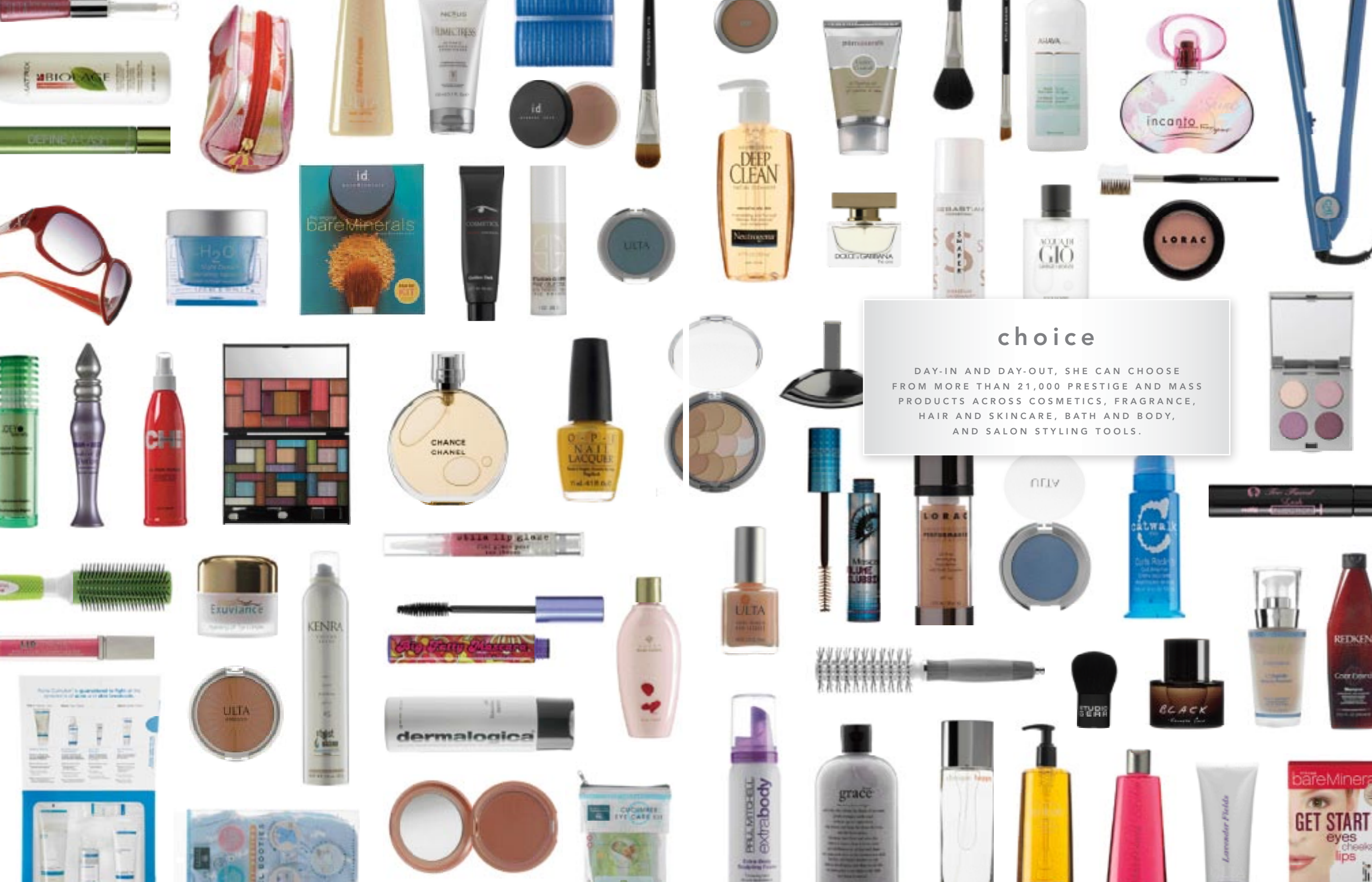
With the beauty we bring to the world, and the business results we generate, this is, indeed, a beautiful business.



A handwritten signature in black ink that reads "Lyn Kirby".

Lyn Kirby
President & Chief Executive Officer

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.



choice

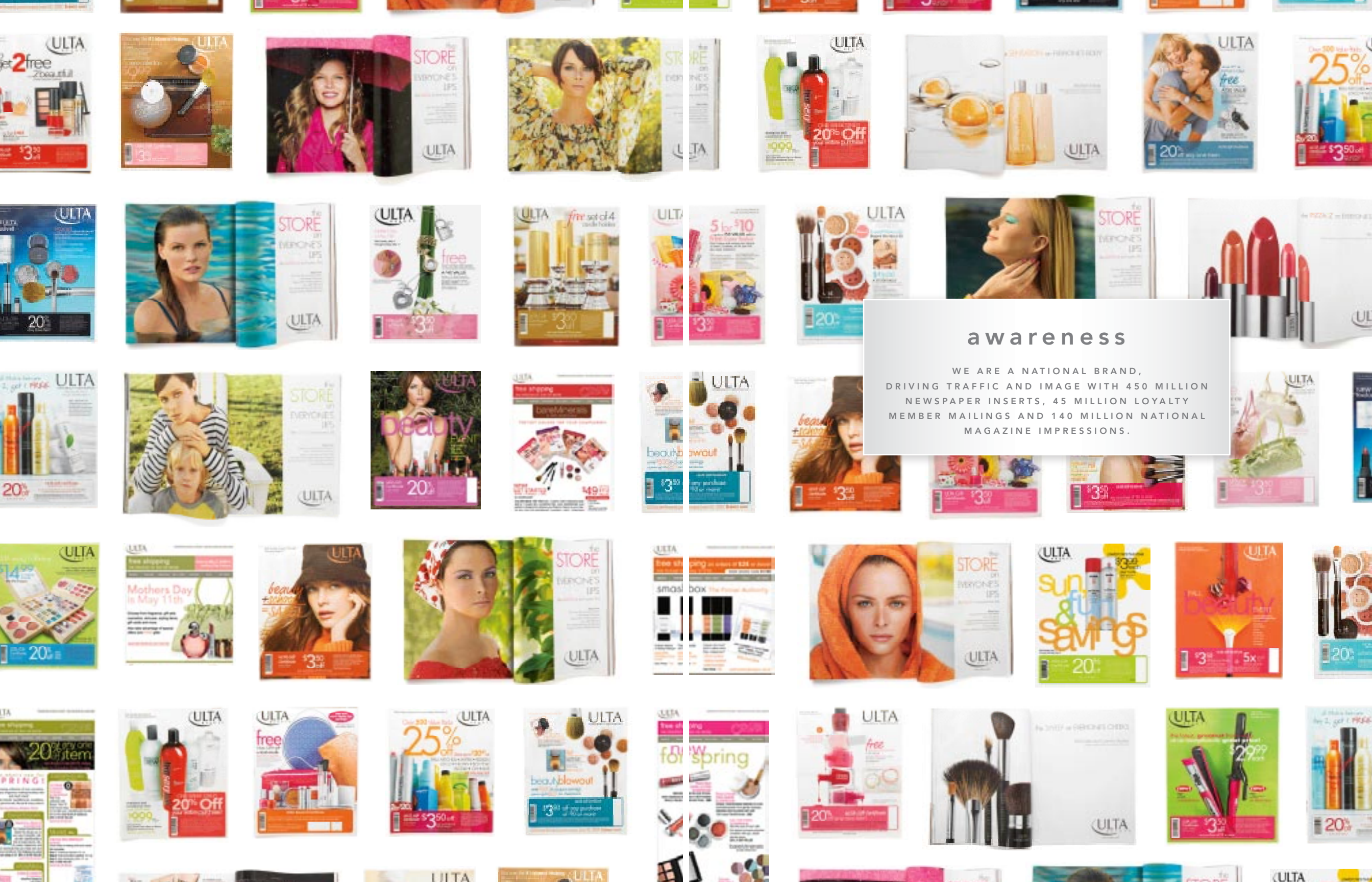
DAY-IN AND DAY-OUT, SHE CAN CHOOSE FROM MORE THAN 21,000 PRESTIGE AND MASS PRODUCTS ACROSS COSMETICS, FRAGRANCE, HAIR AND SKINCARE, BATH AND BODY, AND SALON STYLING TOOLS.

Ultra-Clear™ is formulated to fight all the signs of aging so you can look your best.

Ultra-Clear™ is formulated to fight all the signs of aging so you can look your best.

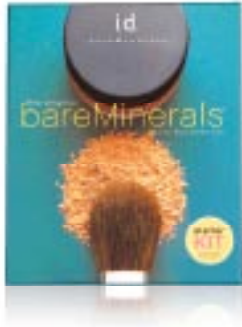
EXTRABODY
EXTRABODY
EXTRABODY

bareMinerals
GET START
eyes
cheeks
lips



awareness

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.



value

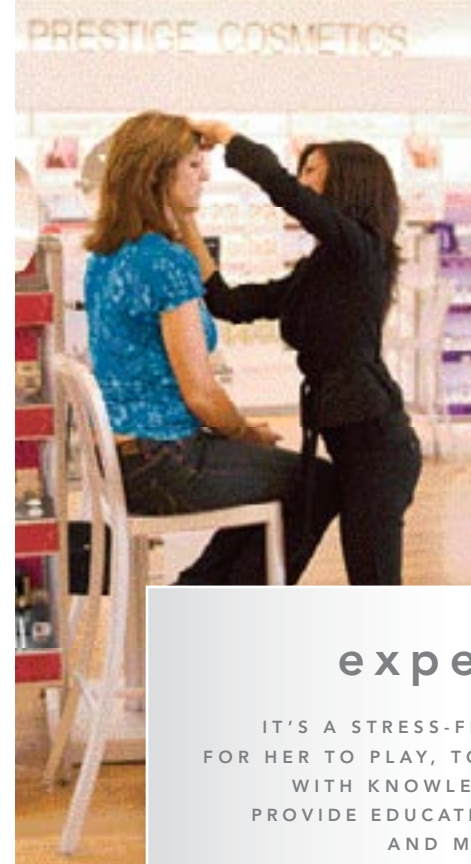
WE OFFER COMPELLING VALUE THROUGH OUR LOYALTY CLUB PROGRAM, PRESTIGE COSMETICS SETS, FRAGRANCE GIFT SETS AND GIFT WITH PURCHASE OFFERS, THE DEEP VALUE OF OUR PRIVATE LABEL BRAND AND COMPETITIVE MASS HAIR, SKIN, AND COSMETICS PRICING.



environment

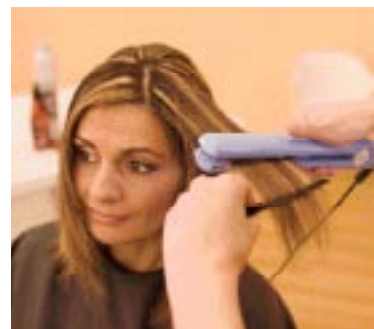
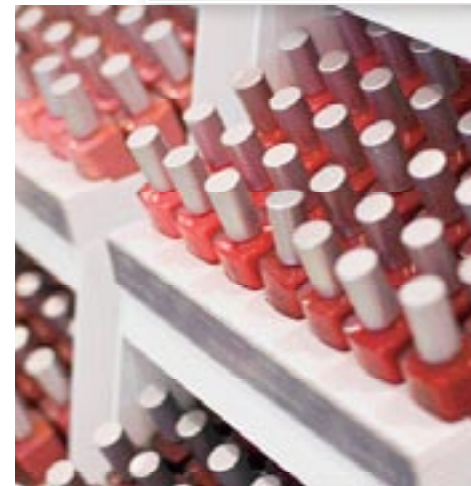
IT'S MODERN AND SLEEK
YET COMFORTABLE AND INVITING.
IT'S EASY TO NAVIGATE WITH WIDE AISLES
AND CLEAR SIGHT LINES.





experience

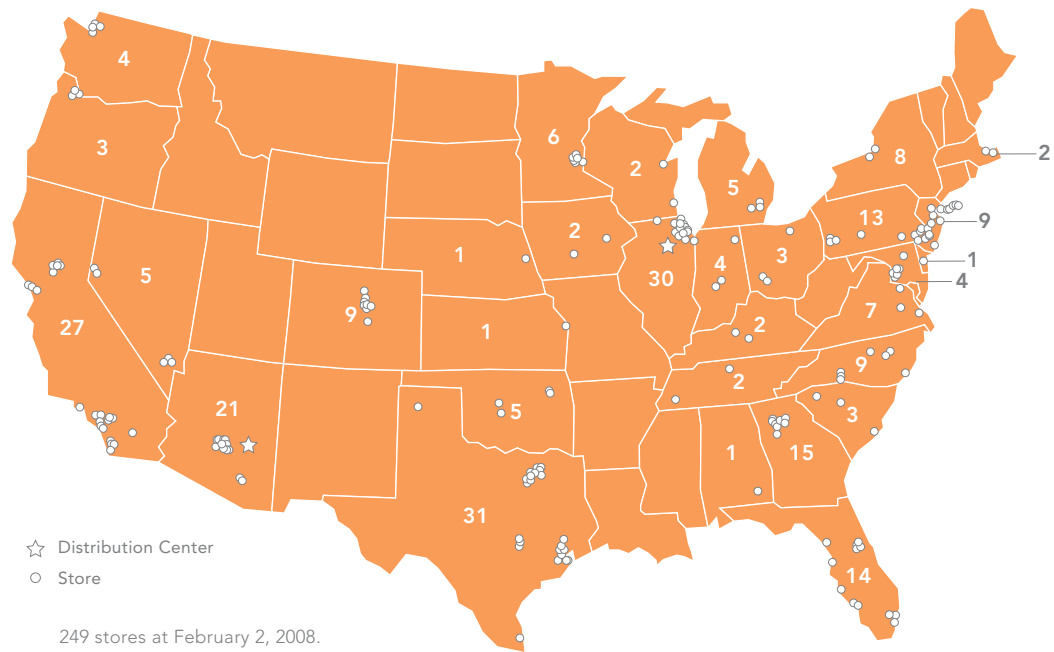
IT'S A STRESS-FREE ESCAPE. A PLACE FOR HER TO PLAY, TOUCH AND FEEL PRODUCT, WITH KNOWLEDGEABLE STAFF TO PROVIDE EDUCATION, DEMONSTRATIONS AND MAKE-OVERS.





salon

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.

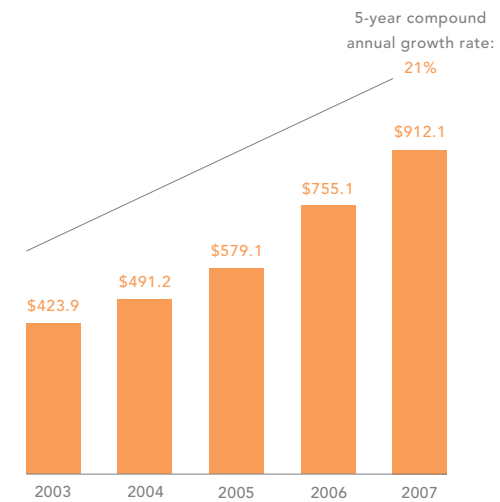


opportunity

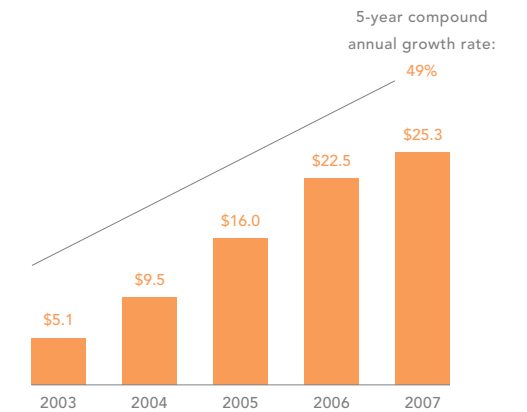
WE ARE NATIONAL, IN MARKETS LARGE AND SMALL, SERVING A RANGE OF DEMOGRAPHICS, WITH A PROVEN STORE MODEL. AND WE'RE LESS THAN 25 PERCENT PENETRATED.

results

FINANCIAL HIGHLIGHTS



REVENUE GROWTH
(IN MILLIONS)



NET INCOME GROWTH
(IN MILLIONS)

SAFE HARBOR LANGUAGE

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.

CONSOLIDATED INCOME STATEMENT

(In thousands, except per share and per square foot data)	FISCAL YEAR ENDED ¹				
	January 31, 2004	January 29, 2005	January 28, 2006	February 3, 2007	February 2, 2008
Net sales ²	\$ 423,863	\$ 491,152	\$ 579,075	\$ 755,113	\$ 912,141
Cost of sales	312,203	346,585	404,794	519,929	628,495
Gross Profit	111,660	144,567	174,281	235,184	283,646
Selling, general and administrative expenses	98,446	121,999	140,145	188,000	225,167
Pre-opening expenses	2,318	4,072	4,712	7,096	11,758
Operating income	10,896	18,496	29,424	40,088	46,721
Interest expense	2,789	2,835	2,951	3,314	4,542
Income before income taxes	8,107	15,661	26,473	36,774	42,179
Income tax expense	3,023	6,201	10,504	14,231	16,844
Net income	\$ 5,084	\$ 9,460	\$ 15,969	\$ 22,543	\$ 25,335
Net income per share:					
Basic	\$ (2.36)	\$ (0.70)	\$ 0.74	\$ 1.38	\$ 0.69
Diluted	\$ (2.36)	\$ (0.70)	\$ 0.33	\$ 0.45	\$ 0.48
Weighted average common shares outstanding:					
Basic	2,331	3,181	4,094	5,771	20,383
Diluted	2,331	3,181	48,196	49,921	53,293

¹ 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.

² Fiscal 2006 was a 53-week operating year and the 53rd week represented approximately \$16.4 million in net sales.

BALANCE SHEET & OTHER OPERATING DATA

(In thousands, except per share and per square foot data)	FISCAL YEAR ENDED ¹				
	January 31, 2004	January 29, 2005	January 28, 2006	February 3, 2007	February 2, 2008
Comparable store sales increase ³	6.2%	8.0%	8.3%	14.5%	6.4%
Number of stores end of year	126	142	167	196	249
Total square footage end of year	1,285,857	1,464,330	1,726,563	2,023,305	2,589,244
Total square footage per store ⁴	10,205	10,312	10,339	10,323	10,399
Average total square footage ⁵	1,216,777	1,374,005	1,582,935	1,857,885	2,283,935
Net sales per average total square foot ⁶	\$ 348	\$ 357	\$ 366	\$ 398	\$ 399
Capital expenditures	30,354	34,807	41,607	62,331	101,866
Depreciation and amortization	15,411	18,304	22,285	29,736	39,503
Debt to equity ratio	46%	45%	41%	37%	35%
Cash and cash equivalents	\$ 3,178	\$ 3,004	\$ 2,839	\$ 3,645	\$ 3,789
Working capital	60,751	69,955	76,473	88,105	117,039
Property and equipment, net	99,577	114,912	133,003	162,080	236,389
Total assets	206,420	253,425	282,615	338,597	469,413
Total debt ⁷	42,906	47,008	50,173	55,529	74,770
Total stockholders' equity	92,778	105,308	123,015	148,760	211,503

³ 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.

⁴ Total square footage per store is calculated by dividing total square footage at end of year by number of store at end of year.

⁵ Average total square footage represents weighted average which reflects the effect of opening stores in different months throughout the year.

⁶ 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.

⁷ Total debt includes approximately \$4.8 million related to the Series III preferred stock, which is presented between the liabilities section and the equity section of our consolidated balance sheet for all years prior to February 2, 2008.

LONG TERM GROWTH TARGETS

Annual Square Footage Growth	20% – 25%
Annual Comparable Store Sales Growth	3% – 5%
Annual Net Income Growth	25% – 30%

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

EXECUTIVE OFFICERS

Lynelle P. Kirby
President and Chief Executive Officer

Gregg R. Bodnar
Chief Financial Officer

BOARD OF DIRECTORS

Lynelle P. Kirby
President and Chief Executive Officer

Dennis K. Eck ^{2†}
Chairman of the Board of Directors

Hervé J.F. Defforey ^{1†}
Member of the Board of Directors

Robert F. Di Romualdo ¹
Member of Board of Directors

Gerald R. Gallagher ³
Member of Board of Directors

Terry J. Hanson ¹
Member of Board of Directors

Charles Heilbronn ^{2,3†}
Member of Board of Directors

Steven E. Lebow ^{2,3}
Member of Board of Directors

Yves Sisteron
Member of Board of Directors

¹ Audit Committee

² Compensation Committee

³ Nominating and Corporate Governance Committee

[†] Committee Chair

CORPORATE AND SHAREHOLDER INFORMATION

COMPANY HEADQUARTERS

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

STOCKHOLDER INQUIRIES

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

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

INDEPENDENT REGISTERED PUBLIC

ACCOUNTING FIRM

Ernst & Young LLP
Chicago, IL

TRANSFER AGENT AND REGISTRAR

American Stock Transfer & Trust Company
Operations Center
6201 – 15th Avenue
Brooklyn, NY 11219
800.937.5449

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 and available at www.sec.gov and at www.ulta.com.

CREDITS

All hair and makeup by Ulta associates.

Hair: Victoria Meyer, Sara Branney, Sarah Burrell

Makeup: Kathy Slusarczyk, Diane Santrock

Design: SamataMason

Portrait/Lifestyle Photography: Chris Kirzeder

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.

KRISTA, 35 YEARS OLD, CUSTOMER





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

