Buckle

2008 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

(Dollar Amounts in Thousands Except Per Share Amounts and Selected Operating Data)

	JANUARY 31, 2009	FEBRUARY 2, 2008	FEBRUARY 3, 2007 (a)
INCOME STATEMENT DATA			
Net sales	$ 792,046	$ 619,888	$ 530,074
Income before income taxes	$ 164,868	$ 118,810	$ 88,053
Provision for income taxes	$ 60,459	$ 43,563	$ 32,327
Net income	$ 104,409	$ 75,247	$ 55,726
Diluted earnings per share	$ 2.24	$ 1.63	$ 1.24
Net income as a percentage of net sales	13.2 %	12.1 %	10.5 %
BALANCE SHEET DATA			
Working capital	$ 197,539	$ 184,395	$ 189,017
Long-term investments	$ 56,213	$ 81,201	$ 31,958
Total assets	$ 465,340	$ 450,657	$ 368,198
Long-term debt	$ –	$ –	$ –
Stockholders' equity	$ 337,222	$ 338,320	$ 286,587
SELECTED OPERATING DATA			
Number of stores open at year end	387	368	350
Average sales per square foot	$ 401	$ 335	$ 302
Average sales per store (000's)	$ 1,995	$ 1,668	$ 1,493
Comparable store sales change	20.6 %	13.2 %	0.0 %

2008 HIGHLIGHTS

Opened 21 new stores and completed 13 substantial remodels; closed 1 store in April 2008 and 1 store in January 2009 to end the fiscal year with 387 stores in 39 states.

Achieved average sales per store of $2.0 million, up from $1.7 million in fiscal 2007.

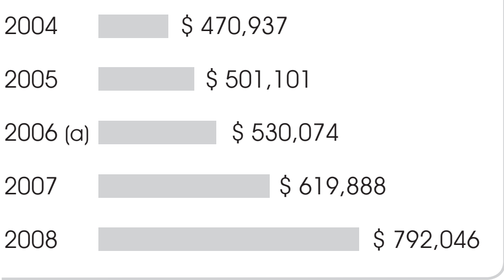
Average sales per square foot were $401, up from $335 in fiscal 2007.

Total denim sales increased for the ninth consecutive year, with the category representing approximately 41% of fiscal 2008 net sales.

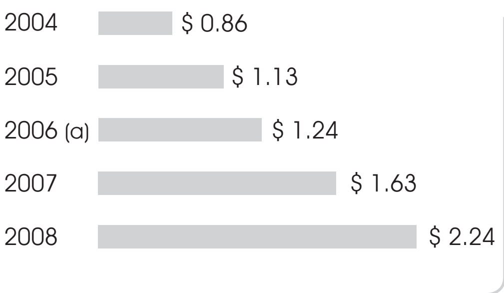
Gross margin improved as a percentage of net sales for the sixth consecutive year, rising to 43.4% from 41.1% in fiscal 2007.

Average transaction value increased 7.5% to $88.25 and average price point increased 5.0% to $43.35.

NET SALES (amounts in thousands)



DILUTED EARNINGS PER SHARE



(a) Consists of 53 weeks.

DEAR SHAREHOLDERS:

For Buckle, fiscal 2008 was another year marked by a standout performance across all areas of our business. We achieved record sales of $792.0 million—a 27.8% increase over the previous year—driven by a 20.6% increase in comparable store sales. We also achieved record earnings of $2.24 per diluted share, up 37.4% from $1.63 in fiscal 2007. Reaffirming our commitment to enhancing shareholder value, we returned more than $136.0 million to our shareholders through dividends and buybacks during the year. We repurchased 557,100 shares at an average price of $16.76 per share, for a total of $9.4 million, increased our quarterly dividend from $0.17 to $0.20 per share, and paid a $2.00 per share special cash dividend during the third quarter. We also remain well positioned for the future. With $237.8 million in cash and investments, stockholders' equity of $337.2 million, and no long-term debt, our balance sheet remains strong.

The guest experience continues to drive everything we do. Over the past year, we remained guest-focused by building on our core strengths: providing differentiated merchandise and exceptional service. Exemplifying this approach are the following highlights:

SELECTION: Our merchandising team continued to deliver a wide selection of brands, styles, and fits in a variety of price points—enabling us to broaden our appeal and attract a growing base of loyal guests.

SERVICE: Our store managers and teammates continued to find innovative ways to serve our guests and build strong relationships.

DENIM: Marking our ninth consecutive year of growth, we increased denim sales by 22.5% and sold 4.0 million pairs of jeans.

STORE PERFORMANCE: Our average sales per square foot increased to $401 from $335 in fiscal 2007, and our average sales per store increased to $2.0 million from $1.7 million in fiscal 2007. Through the end of 2008, we had achieved 29 consecutive months of positive comparable store sales, the last 18 of which were double-digit increases.

Whether they work on the sales floor or in the home office, our incredibly talented teammates drive our excellent results. Our merchandising team continues to seek out new brands and styles that offer guests a compelling reason to make Buckle their favorite shopping destination. Led by our talented and well-tenured sales leaders, our store teammates provide in-depth product knowledge and outstanding service that make every guest feel special and appreciated.

Buckle is proud to be a place where teammates can build long-lasting and rewarding careers. Perhaps no one embodies this attribute more than Jim Shada, our former Executive Vice President of Sales. After more than 30 years of service, Jim retired from Buckle on March 27, 2009 and remains a valued member of our Board of Directors. I would like to take this opportunity to thank Jim for his dedication, perseverance, and inspirational leadership. Another shining example is Kari Smith, who has also been with Buckle for more than 30 years and has served as Vice President of Sales since 2001. We are confident that Kari and our exceptional regional and district leaders will continue to build on Buckle's outstanding reputation for service.

Our success can also be attributed to our controlled expansion through well-selected store locations. Primarily driven by careful site selection and the availability of internal leaders to successfully manage new stores, our real estate strategy is a disciplined one. During fiscal 2008, Buckle opened 21 new stores and closed 2, ending the year with 387 stores in 39 states. In 2009, we plan to open 21 new stores—including one in Buffalo, New York and another in Mays Landing, New Jersey, which represent our 40th and 41st states of operation. We also continue to devote resources to updating existing locations in order to keep the Buckle experience current for our guests. Fiscal 2008 was no exception, as we completed 13 full and several partial remodels. Plans for 2009 include 20 full remodels.

The coming year promises to be an exciting one as we undergo a full renovation of our flagship store in Kearney, Nebraska, expand our online fulfillment center to accommodate our growing Buckle.com business, and evaluate our distribution center's capacity to support future growth. Even as operations, technology, and merchandise evolve, what makes Buckle unique has remained constant: our mission **to create the most enjoyable shopping experience possible for our guests.** It is this shared commitment that has enabled the Company to achieve long-term growth and success.

On behalf of the entire Buckle team, I would like to express our sincere appreciation to shareholders, guests, and business partners for their ongoing support. I would also like to thank Buckle's 8,000+ teammates for their continued dedication and for contributing to an outstanding year.

Sincerely,

Dennis H. Nelson
President and Chief Executive Officer

STANDING OUT THROUGH EXEMPLARY SERVICE

Never content with past successes, we believe in continuous improvement. That's why we empower our teammates to explore new ideas and solutions that enhance the guest experience. By sharing information and knowledge, we learn from each other, improve our approach, and develop relationships that foster a sense of loyalty. Each and every day, we work as a team to achieve our single, unwavering goal: to create the most enjoyable shopping experience possible for our guests.

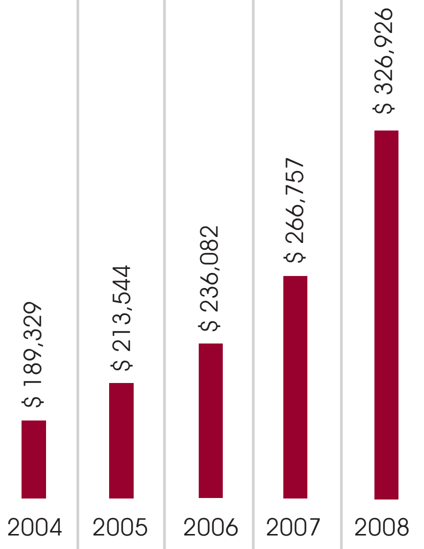
Our entrepreneurial culture allows our managers and teammates the opportunity to be innovative and experience the results of their actions. Buckle supports this commitment by providing teammates with the education and tools to be successful and then recognizing and rewarding performance. We listen to the people who are on the front lines interacting with our guests every day—our teammates. It is their feedback that allows us to quickly implement new ideas aimed at better serving our guests.

The longevity of our sales management team and our commitment to promoting from within have helped preserve these values. As a testament to the strength of our culture, the sales team is led by Kari Smith, our Vice President of Sales, who has been with Buckle for more than 30 years, and Michelle Hoffman, our Regional Manager, who will celebrate her 30th anniversary this year. In addition, our 24 district managers average 20 years of experience in leading Buckle teams.

> “Our teammates have a passion for what they do and it shows! Their camaraderie, shared values, and the chance to impact others' lives are what drive them to be their best. Working as a team, they are able to achieve incredible results.”
>
> Kari Smith
> Vice President of Sales
> With Buckle since 1978


STAND

STANDING OUT THROUGH PRODUCT DIFFERENTIATION



DENIM SALES
(amounts in thousands)

In our business, it's all about providing that special "something" that sets us apart. For Buckle, that means offering differentiated products that help our guests stand out from the crowd and express their individuality. As a fashion leader, we not only stay on top of the trends; we help to define them. Collaborating with trusted vendors, we add details and enhancements to most of our merchandise, resulting in a wide array of products that can't be found anywhere else.

Leading this process is our buying team, guided by Pat Whisler and Bob Carlberg, who have more than 30 and 25 years, respectively, of experience in identifying new brands, styles, and looks that will appeal to our guests. Their expertise, along with that of their talented team, gives us the confidence to stay true to our merchandising philosophy, no matter what is happening in the marketplace. Our continual quest for new products and near-daily deliveries of fresh merchandise distinguishes our approach—helping to attract loyal shoppers looking for the latest brands, styles, and looks.

Our expertise in denim is the foundation upon which we build. Thanks to our wide selection of fits, finishes, and brands—coupled with our teammates' educated and knowledgeable service—we have established a reputation for fitting almost any guest who walks into one of our stores. For 2008, denim accounted for approximately 41% of our net sales. In addition to our own BKE brand, which accounted for 38% of denim sales, key denim brands included Big Star, MEK, Lucky Brand, and Silver Jeans. We complement our tremendous selection of denim with a strong presentation of tops, footwear, outerwear, and accessories from lifestyle brands including Affliction, Sinful, Hurley, Billabong, Quiksilver/Roxy, 7 Diamonds, OBEY, Ed Hardy, and Fossil.

"We are committed to providing guests with a distinct reason to make Buckle their favorite shopping destination. That's why we work hard to continually provide newness and excitement across all product categories."

Bob Carlberg
Vice President of Men's Merchandising
With Buckle since 1983


STAND

STANDING OUT

THROUGH CONTINUOUS

IMPROVEMENT

A positive guest experience continues to be our most effective form of marketing, and it all begins the moment a guest walks in the door. Inviting decor, an easy-to-navigate layout, and popular music work together to create a dynamic retail environment that encourages guests to discover all that we have to offer.

Our online store, Buckle.com, remains an important component of our business. Recent enhancements include the addition of our Style Shop—a showcase of new trends, looks, and head-to-toe outfits. Additionally, over the past year we began shipping online orders internationally and increasingly utilized our online channel to consolidate and sell sale items—allowing us to keep our stores stocked with fresh inventory. To support Buckle.com's growth, we plan to expand our online fulfillment center infrastructure during fiscal 2009.

While the environment plays an important role, we are equally focused on providing ongoing opportunities for teammates to interact with guests. To that end, Buckle collaborates with outside partners and vendors to create one-of-a-kind promotions. This results in events that resonate with our core demographic and offer new and exciting ways for guests to engage with our brand. Whether accomplished via extraordinary service, exciting promotions, or exclusive merchandise, Buckle strives to create an experience that truly stands out.

LOCATIONS

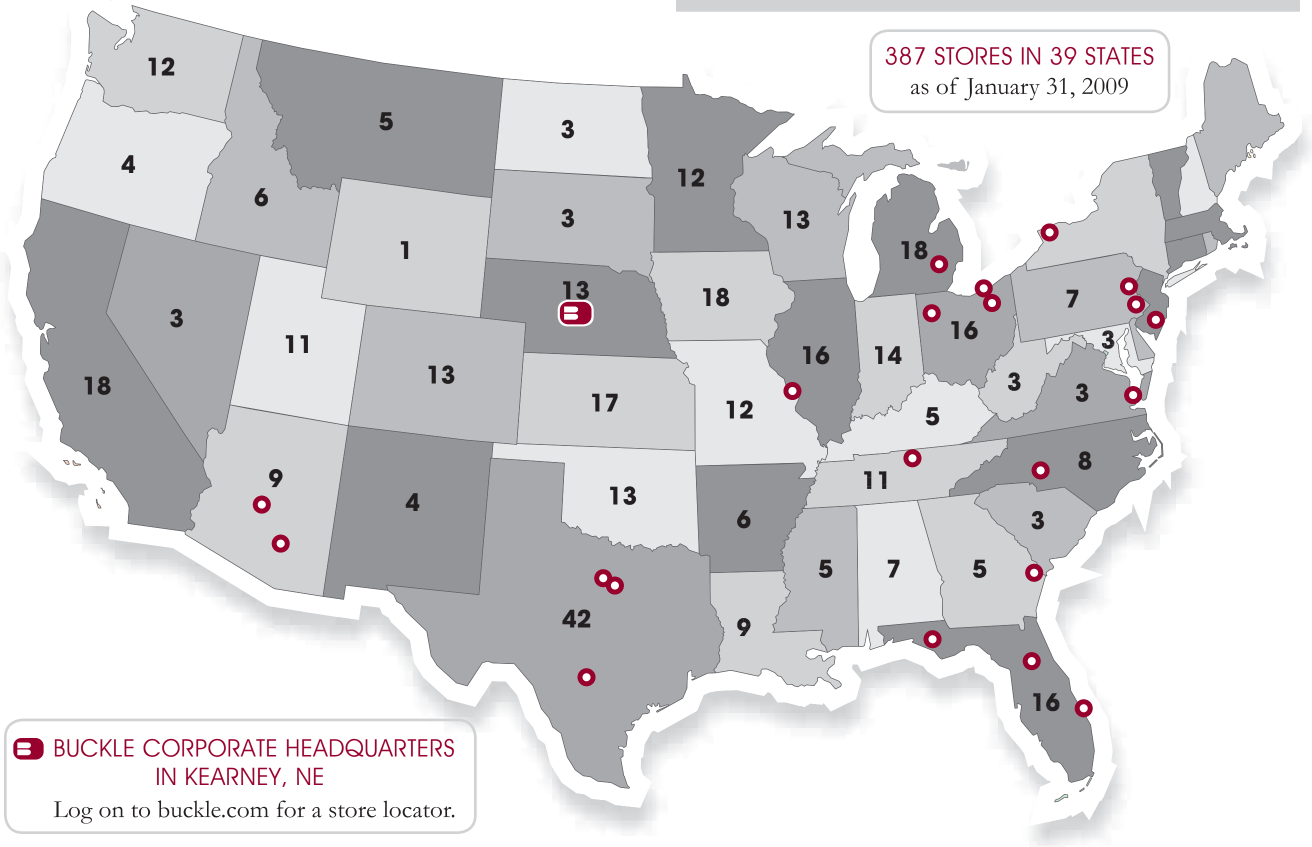
We continue to expand our market presence through new store locations. In fiscal 2008, we opened 21 new stores—including our first three stores in Maryland—to end the year with 387 stores in 39 states. Last year, Buckle also remodeled 13 locations, bringing the number of stores with our most current design to 181. To maximize the impact of our merchandise, we consistently roll out new fixtures, tables, and displays across all store locations.

> As we expand our geographic footprint, securing great locations within the nation's best shopping malls and lifestyle centers is critical to our continued success. We look for sites that are located in markets with populations of 300,000 or more and provide high foot traffic, excellent visibility, and easy access.
>
> Brett Milkie
> Vice President of Leasing
> With Buckle since 1992

2009 STORE OPENINGS

Marking our entry into new markets, we recently opened our first store in New York and plan to open our first store in New Jersey this summer. Plans for 2009 include 21 new stores and 20 full remodels.

MALL	LOCATION
Lehigh Valley Mall	Whitehall, PA
Walden Galleria	Buffalo, NY
Crocker Park Mall	Westlake, OH
Destin Commons	Destin, FL
Oglethorpe Mall	Savannah, GA
Patrick Henry Mall	Newport News, VA
Carolina Place Mall	Pineville, NC
Hamilton Mall	Mays Landing, NJ
Summit Mall	Akron, OH
Park Place Mall	Tucson, AZ
West County Center	Des Peres, MO
Firewheel Town Center	Garland, TX
Treasure Coast Square	Jensen Beach, FL
North Star Mall	San Antonio, TX
Scottsdale Fashion Square	Scottsdale, AZ
Mall at Green Hills	Nashville, TN
Northpark Center	Dallas, TX
Montgomery Mall	North Wales, PA
Paddock Mall	Ocala, FL
Twelve Oaks Mall	Novi, MI
Lima Mall	Lima, OH



387 STORES IN 39 STATES
as of January 31, 2009

BUCKLE CORPORATE HEADQUARTERS IN KEARNEY, NE
Log on to buckle.com for a store locator.

SELECTED FINANCIAL DATA

(Amounts in Thousands Except Share, Per Share Amounts, and Selected Operating Data)

	FISCAL YEARS ENDED				
	JANUARY 31, 2009	FEBRUARY 2, 2008	FEBRUARY 3, 2007 (d)	JANUARY 28, 2006	JANUARY 29, 2005
INCOME STATEMENT DATA					
Net sales	$ 792,046	$ 619,888	$ 530,074	$ 501,101	$ 470,937
Cost of sales (including buying, distribution, and occupancy costs)	448,558	365,350	322,760	307,063	299,958
Gross profit	343,488	254,538	207,314	194,038	170,979
Selling expenses	151,251	118,699	107,592	100,148	89,008
General and administrative expenses	30,041	26,212	20,701	17,568	18,599
Income from operations	162,196	109,627	79,021	76,322	63,372
Other income, net	7,829	9,183	9,032	6,123	4,470
Unrealized loss on securities	(5,157)	–	–	–	–
Income before income taxes	164,868	118,810	88,053	82,445	67,842
Provision for income taxes	60,459	43,563	32,327	30,539	24,613
Net income	$ 104,409	$ 75,247	$ 55,726	$ 51,906	$ 43,229
Basic earnings per share	$ 2.30	$ 1.69	$ 1.29	$ 1.17	$ 0.90
Diluted earnings per share	$ 2.24	$ 1.63	$ 1.24	$ 1.13	$ 0.86
Dividends declared per share (a)	$ 2.73	$ 0.60	$ 1.71	$ 0.27	$ 0.20
SELECTED OPERATING DATA					
Stores open at end of period	387	368	350	338	327
Average sales per square foot	$ 401	$ 335	$ 302	$ 298	$ 291
Average sales per store (000's)	$ 1,995	$ 1,668	$ 1,493	$ 1,474	$ 1,454
Comparable store sales change (b)	20.6%	13.2%	0.0%	1.4%	6.3%
BALANCE SHEET DATA (c)					
Working capital	$ 197,539	$ 184,395	$ 189,017	$ 193,428	$ 219,231
Long-term investments	$ 56,213	$ 81,201	$ 31,958	$ 41,654	$ 54,395
Total assets	$ 465,340	$ 450,657	$ 368,198	$ 374,266	$ 405,543
Long-term debt	$ –	$ –	$ –	$ –	$ –
Stockholders' equity	$ 337,222	$ 338,320	$ 286,587	$ 299,793	$ 332,928

(a) During fiscal 2004, the Company paid cash dividends per share of $0.0444 in the first and second quarters and $0.0533 in the third and fourth quarters. During fiscal 2005, cash dividends per share were $0.0533 in the first quarter, $0.0667 in the second quarter, and $0.0756 in the third and fourth quarters. During fiscal 2006, cash dividends per share were $0.0756 in the first and second quarters, $0.0889 in the third quarter, and $0.1333 in the fourth quarter. In addition, the Company paid a special one-time cash dividend of $1.3333 per share in the fourth quarter of fiscal 2006. During fiscal 2007, cash dividends per share were $0.1333 in the first and second quarters and $0.1667 in the third and fourth quarters. During fiscal 2008, cash dividends per share were $0.1667 in the first and second quarters and $0.20 in the third and fourth quarters. In addition, the Company paid a special one-time cash dividend of $2.00 per share in the third quarter of fiscal 2008. Dividend amounts prior to the Company's 3-for-2 stock split with a distribution date of January 12, 2007 and 3-for-2 stock split with a distribution date of October 30, 2008 have been adjusted to reflect the impact of these stock splits.

(b) Stores are deemed to be comparable stores if they were open in the prior year on the first day of the fiscal period presented. Stores which have been remodeled, expanded, and/or relocated, but would otherwise be included as comparable stores, are not excluded from the comparable store sales calculation. Online sales are excluded from comparable store sales.

(c) At the end of the period.

(d) Consists of 53 weeks.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the financial statements and notes thereto of the Company included in Form 10-K. The following is management's discussion and analysis of certain significant factors which have affected the Company's financial condition and results of operations during the periods included in the accompanying financial statements included in Form 10-K.

EXECUTIVE OVERVIEW

Company management considers the following items to be key performance indicators in evaluating Company performance.

Comparable Store Sales – Stores are deemed to be comparable stores if they were open in the prior year on the first day of the fiscal period being presented. Stores which have been remodeled, expanded, and/or relocated, but would otherwise be included as comparable stores, are not excluded from the comparable store sales calculation. Online sales are excluded from comparable store sales. Management considers comparable store sales to be an important indicator of current Company performance, helping leverage certain fixed costs when results are positive. Negative comparable store sales results could reduce net sales and have a negative impact on operating leverage, thus reducing net earnings.

Net Merchandise Margins – Management evaluates the components of merchandise margin including initial markup and the amount of markdowns during a period. Any inability to obtain acceptable levels of initial markups or any significant increase in the Company's use of markdowns could have an adverse effect on the Company's gross margin and results of operations.

Operating Margin – Operating margin is a good indicator for management of the Company's success. Operating margin can be positively or negatively affected by comparable store sales, merchandise margins, occupancy costs, and the Company's ability to control operating costs.

Cash Flow and Liquidity (working capital) – Management reviews current cash and short-term investments along with cash flow from operating, investing, and financing activities to determine the Company's short-term cash needs for operations and expansion. The Company believes that existing cash, short-term investments, and cash flow from operations will be sufficient to fund current and long-term anticipated capital expenditures and working capital requirements for the next several years.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table sets forth certain financial data expressed as a percentage of net sales and the percentage change in the dollar amount of such items compared to the prior period:

	PERCENTAGE OF NET SALES FOR FISCAL YEARS ENDED			PERCENTAGE INCREASE (DECREASE)	
	January 31, 2009	February 2, 2008	February 3, 2007	Fiscal Year 2007 to 2008	Fiscal Year 2006 to 2007
INCOME STATEMENT DATA					
Net sales	100.0 %	100.0%	100.0%	27.8 %	16.9 %
Cost of sales (including buying, distribution, and occupancy costs)	56.6 %	58.9%	60.9%	22.8 %	13.2 %
Gross profit	43.4 %	41.1%	39.1%	34.9 %	22.8 %
Selling expenses	19.1 %	19.1%	20.3%	27.4 %	10.3 %
General and administrative expenses	3.8 %	4.2%	3.9%	14.6 %	26.6 %
Income from operations	20.5 %	17.7%	14.9%	48.0 %	38.7 %
Other income, net	1.0 %	1.5%	1.7%	(14.7)%	1.7 %
Unrealized loss on securities	(0.7)%	–	–	–	–
Income before income taxes	20.8 %	19.2%	16.6%	38.8 %	34.9 %
Provision for income taxes	7.6 %	7.0%	6.1%	38.8 %	34.8 %
Net income	13.2 %	12.1%	10.5%	38.8 %	35.0 %

FISCAL 2008 COMPARED TO FISCAL 2007

Net sales for the 52-week fiscal year ended January 31, 2009, increased 27.8 percent to $792.0 million from net sales of $619.9 million for the 52-week fiscal year ended February 2, 2008. Comparable store net sales for the fiscal year increased by $119.1 million, or 20.6%, in comparison to the 52-week year ended February 2, 2008. The comparable store sales increase was primarily due to an increase in the number of transactions at comparable stores during the year, in addition to a 5.0% increase in the average retail price of merchandise sold during the year and a 2.5% increase in the average number of units sold per transaction. Sales growth for the fiscal year was also attributable to the inclusion of a full year of operating results for the 20 new stores opened during fiscal 2007, to the opening of 21 new stores during fiscal 2008, and to growth in online sales.

The Company's average retail price per piece of merchandise sold increased $2.06, or 5.0%, during fiscal 2008 compared to fiscal 2007. This $2.06 increase was primarily attributable to the following changes (with their corresponding effect on the overall average price per piece): an 11.3% increase in average knit shirt price points ($1.35), a 7.1% increase in average denim price points ($1.19), a 12.7% increase in average woven shirt price points ($0.29), a 4.3% increase in average accessory price points ($0.14), a 12.3% increase in average sweater price points ($0.12), and increased average price points in certain other categories ($0.10). These increases were partially offset by the impact of a shift in the merchandise mix (-$1.13). These changes are primarily a reflection of merchandise shifts in terms of brands and product styles, fabrics, details, and finishes. Average sales per square foot for fiscal 2008 increased 19.7% from $335 to $401.

Gross profit after buying, distribution, and occupancy costs increased $88.9 million in fiscal 2008 to $343.5 million, a 34.9% increase. As a percentage of net sales, gross profit increased from 41.1% in fiscal 2007 to 43.4% in fiscal 2008. The increase was primarily due to a 0.50% improvement, as a percentage of net sales, in actual merchandise margins; which was achieved through an increase in regular-price selling during the period that was partially offset by an increase in Primo Card redemptions and a slight reduction, as a percentage of net sales, in private label merchandise sales. The increase was also attributable to a 1.90% reduction, as a percentage of net sales, related to leveraged buying, distribution, and occupancy costs. These improvements were partially offset by an increase in expense related to the incentive bonus accrual (0.10%, as a percentage of net sales). Merchandise shrinkage was flat at 0.50% of net sales for both fiscal 2008 and fiscal 2007.

Selling expenses increased from $118.7 million in fiscal 2007 to $151.3 million in fiscal 2008, a 27.4% increase. Selling expenses as a percentage of net sales was 19.1% in both fiscal 2007 and fiscal 2008. Increases driven primarily by an increase in expense related to the incentive bonus accrual (0.60%, as a percentage of net sales), an increase in internet related fulfillment and marketing expenses (0.15%, as a percentage of net sales), and investments made during the fourth quarter related to certain store fixtures and supplies (0.20%, as a percentage of net sales) were offset by a 0.65% reduction, as a percentage of net sales, in store payroll expense and a 0.30% reduction related the leveraging of certain other selling expenses.

General and administrative expenses increased from $26.2 million in fiscal 2007 to $30.0 million in fiscal 2008, a 14.6% increase. As a percentage of net sales, general and administrative expenses decreased from 4.2% in fiscal 2007 to 3.8% in fiscal 2008. General and administrate expenses for fiscal 2008 are reported net of a $3.0 million gain from the involuntary conversion of one of the Company's corporate aircrafts to a monetary asset upon receipt of $11.5 million in insurance proceeds. The aircraft was destroyed by a tornado that hit the airport in Kearney, Nebraska on May 29, 2008. Excluding the $3.0 million gain recognized during the second quarter of the fiscal year, general and administrative expenses were 4.2% of net sales in both fiscal 2007 and fiscal 2008. An increase in expense related to the incentive bonus accrual (0.20%, as a percentage of net sales) was offset by a 0.20% reduction, as a percentage of net sales, related to the leveraging of certain other general and administrative expenses.

As a result of the above changes, the Company's income from operations increased $52.6 million to $162.2 million for fiscal 2008, a 48.0% increase compared to fiscal 2007. Income from operations was 20.5% as a percentage of net sales in fiscal 2008 compared to 17.7% as a percentage of net sales in fiscal 2007.

Other income decreased from $9.2 million in fiscal 2007 to $7.8 million in fiscal 2008, a 14.7% decrease. The decrease in other income is due to a reduction in income earned on the Company's cash and investments, as a result of lower interest rates.

Additionally, as referenced in Note B to the financial statements, the Company recorded a total of $5.2 million in unrealized losses during fiscal 2008 resulting from the other-than-temporary impairment of certain of its investments in auction-rate securities. The other-than-temporary impairment has been recorded as a separate component in the statement of income for the fiscal year ended January 31, 2009.

Income tax expense as a percentage of pre-tax income was 36.7% in both fiscal 2007 and fiscal 2008, bringing net income to $104.4 million in fiscal 2008 versus $75.2 million in fiscal 2007, an increase of 38.8%.

FISCAL 2007 COMPARED TO FISCAL 2006

Fiscal 2007 net sales, for the 52-week period ended February 2, 2008, increased 16.9 percent to $619.9 million from net sales of $530.1 million for the 53-week fiscal year ended February 3, 2007. Comparable store net sales for the fiscal year increased by $65.0 million, or 13.2%, in comparison to the 52-week period ended February 3, 2007. The comparable store sales increase was primarily due to an increase in the number of transactions at comparable stores during the year, a 2.7% increase in the average retail price of merchandise sold during the year, and a slight increase in the average number of units sold per transaction. Sales growth for the fiscal year was also attributable to the inclusion of a full year of operating results for the 17 new stores opened during fiscal 2006, to the opening of 20 new stores during fiscal 2007, and to growth in online sales. These increases were partially offset by the inclusion of an extra week of sales in fiscal 2006, as a result of the 53rd week in the retail calendar.

The Company's average retail price per piece of merchandise sold increased $1.07, or 2.7%, during fiscal 2007 compared to fiscal 2006. This $1.07 increase was primarily attributable to the following changes (with their corresponding effect on the overall average price per piece): an 11.0% increase in average knit shirt price points ($1.09), a 5.4% increase in average denim price points ($0.92), and a 6.0% increase in average woven shirt price points ($0.15). These increases were partially offset by the impact of a shift in the merchandise mix (-$0.76) and by reduced average price points in certain other categories (including footwear and accessories). These changes are primarily a reflection of merchandise shifts in terms of brands and product styles, fabrics, details, and finishes. Average sales per square foot for fiscal 2007 increased 10.9% from $302 to $335.

Gross profit after buying, distribution, and occupancy costs increased $47.2 million in fiscal 2007 to $254.5 million, a 22.8% increase. As a percentage of net sales, gross profit increased from 39.1% in fiscal 2006 to 41.1% in fiscal 2007. The increase was primarily attributable to a 1.00% improvement, as a percentage of net sales, in actual merchandise margins, which was achieved through an increase in regular-price selling during the period that was partially offset by a slight reduction, as a percentage of net sales, in private label merchandise sales. The increase was also attributable to a 1.20% reduction, as a percentage of net sales, related to leveraged buying, distribution, and occupancy costs. These improvements were partially offset by an increase in expense related to the incentive bonus accrual (0.20%, as a percentage of net sales). Merchandise shrinkage decreased from 0.70% in fiscal 2006 to 0.50% in fiscal 2007.

Selling expenses increased from $107.6 million in fiscal 2006 to $118.7 million in fiscal 2007, a 10.3% increase. Selling expenses as a percentage of net sales decreased from 20.3% for fiscal 2006 to 19.2% for fiscal 2007. The decrease was primarily attributable to a 0.65% reduction, as a percentage of net sales, in store payroll expense, a 0.30% reduction in stock option compensation expense, and a 0.25% reduction in advertising expense. The Company also achieved a 0.50% reduction, as a percentage of net sales, by leveraging certain other selling expenses. These reductions were, however, partially offset by increases in expense related to the incentive bonus accrual (0.40%, as a percentage of net sales), bankcard fees (0.10%, as a percentage of net sales), and health insurance expense (0.10%, as a percentage of net sales).

General and administrative expenses increased from $20.7 million in fiscal 2006 to $26.2 million in fiscal 2007, a 26.6% increase. As a percentage of net sales, general and administrative expenses increased from 3.9% for fiscal 2006 to 4.2% for fiscal 2007. The increase was driven primarily by increases in expense related to the incentive bonus accrual (0.50%, as a percentage of net sales) and equity compensation expense related to outstanding shares of non-vested stock (0.10%, as a percentage of net sales). These increases were partially offset by a 0.30% reduction, as a percentage of net sales, related to the leveraging of certain other general and administrative expenses.

As a result of the above changes, the Company's income from operations increased $30.6 million to $109.6 million for fiscal 2007, a 38.7% increase compared to fiscal 2006. Income from operations was 17.7% as a percentage of net sales in fiscal 2007 compared to 14.9% as a percentage of net sales in fiscal 2006.

Other income increased from $9.0 million in fiscal 2006 to $9.2 million in fiscal 2007, a 1.7% increase. The increase in other income is primarily due to an increase in income earned on the Company's cash and investments, resulting from higher average balances of cash and investments, which was partially offset by the impact of proceeds received during fiscal 2006 for Hurricane Katrina and Hurricane Rita insurance claims and for the settlement of a lawsuit relating to Visa/Mastercard interchange fees.

Income tax expense as a percentage of pre-tax income was 36.7% in both fiscal 2007 and fiscal 2006, bringing net income to $75.2 million for fiscal 2007 versus $55.7 million for fiscal 2006, an increase of 35.0%.

LIQUIDITY AND CAPITAL RESOURCES

As of January 31, 2009, the Company had working capital of $197.5 million, including $162.5 million of cash and cash equivalents and $19.2 million of short-term investments. The Company's cash receipts are generated from retail sales and from investment income, and the Company's primary ongoing cash requirements are for inventory, payroll, occupancy costs, dividend payments, new store expansion, remodeling, and other capital expenditures. Historically, the Company's primary source of working capital has been cash flow from operations. During fiscal 2008, 2007, and 2006 the Company's cash flow from operations was $143.7 million, $121.1 million, and $80.4 million, respectively.

The Company has available an unsecured line of credit of $17.5 million with Wells Fargo Bank, N.A. for operating needs and letters of credit. The line of credit provides that outstanding letters of credit cannot exceed $10.0 million. Borrowings under the line of credit provide for interest to be paid at a rate equal to the prime rate established by the Bank. The Company has, from time to time, borrowed against these lines of credit. There were no borrowings during fiscal 2008, 2007, and 2006. The Company had no bank borrowings as of January 31, 2009, was in compliance with the terms and conditions of the line of credit agreement, and does not anticipate any difficulties in renewing the line of credit during fiscal 2009.

Dividend payments – During fiscal 2008, the Company paid total cash dividends of $126.7 million as follows: $0.1667 per share in the first and second quarters, $0.20 per share in the third and fourth quarters, and a special one-time cash dividend of $2.00 per share in the third quarter. During fiscal 2007, cash dividends totaled $27.0 million as follows: $0.1333 per share in the first and second quarters and $0.1667 per share in the third and fourth quarters. During fiscal 2006, cash dividends totaled $74.9 million as follows: $0.0756 per share in the first and second quarters, $0.0889 per share in the third quarter, $0.1333 per share in the fourth quarter, and a special one-time cash dividend of $1.3333 per share in the fourth quarter. Dividend amounts prior to the Company's 3-for-2 stock split with a distribution date of January 12, 2007 and 3-for-2 stock split with a distribution date of October 30, 2008 have been adjusted to reflect the impact of these stock splits. The Company plans to continue its quarterly dividends in fiscal 2009.

Stock repurchase plan - During fiscal 2008, 2007, and 2006, the Company used cash for repurchasing shares of the Company's common stock. In fiscal 2008, the Company purchased 557,100 shares at a cost of $9.4 million. The Company purchased 963,750 shares in fiscal 2007 at a cost of $21.6 million and 981,450 shares in fiscal 2006 at a cost of $16.0 million. For fiscal 2007 and fiscal 2006, the number of shares purchased prior to the Company's 3-for-2 stock split in January 2007 and 3-for-2 stock split in October 2008 have been adjusted to reflect the impact of these stock splits. The Board of Directors authorized a new 1,000,000 share repurchase plan on November 20, 2008, of which 799,300 shares remained available for repurchase as of January 31, 2009.

During fiscal 2008, 2007, and 2006, the Company invested $28.6 million, $25.2 million, and $19.0 million, respectively, in new store construction, store renovation, and store technology upgrades. The Company also spent $3.6 million, $2.3 million, and $2.9 million, in fiscal 2008, 2007, and 2006, respectively, in capital expenditures for the corporate headquarters and distribution facility. The Company also spent $15.2 million during the third quarter of fiscal 2008 to purchase a new corporate aircraft as a replacement for the aircraft that was destroyed by a tornado earlier in the year.

During fiscal 2009, the Company anticipates completing approximately 41 store construction projects, including approximately 21 new stores and approximately 20 stores to be remodeled and/or relocated. As of March 2009, leases for 25 new stores have been signed and leases for 5 additional locations, for fiscal years 2009 – 2011, are under negotiation; however, exact new store openings, remodels, and relocations may vary from those anticipated. The average cost of opening a new store during fiscal 2008 was approximately $0.9 million, including construction costs of approximately $0.7 million and inventory costs of approximately $0.2 million, net of payables. Management estimates that total capital expenditures during fiscal 2009 will be approximately $44 to $48 million. The Company believes that existing cash and cash equivalents, investments, and cash flow from operations will be sufficient to fund current and long-term anticipated capital expenditures and working capital requirements for the next several years. The Company has had a consistent record of generating positive cash flows each year and, as of January 31, 2009, had total cash and investments of $237.8 million. The Company does not currently have plans for any merger or acquisition, and has fairly consistent plans for new store expansion and remodels. Based upon past results and current plans, management does not anticipate any large swings in the Company's need for cash in the upcoming years.

Future conditions, however, may reduce the availability of funds based upon factors such as a decrease in demand for the Company's product, change in product mix, competitive factors, and general economic conditions as well as other risks and uncertainties which would reduce the Company's sales, net profitability, and cash flows. Also, the Company's acceleration in store openings and/or remodels, or entering into a merger, acquisition, or other financial related transaction could reduce the amount of cash available for further capital expenditures and working capital requirements.

Auction-Rate Securities - As of January 31, 2009, total cash and investments included $30.3 million of auction-rate securities ("ARS") and $0.6 million of preferred securities, which compares to $145.8 million of ARS and $0.0 million of preferred securities as of February 2, 2008. Of the $30.9 million in ARS and preferred securities as of January 31, 2009, $1.6 million has been included in short-term investments, due to known or anticipated subsequent redemptions at par value plus accrued interest, and $29.3 million has been included in long-term investments. ARS have a long-term stated maturity, but are reset through a "dutch auction" process that occurs every 7 to 49 days, depending on the terms of the individual security. Until February 2008, the ARS market was highly liquid. During February 2008, however, a significant number of auctions related to these securities failed, meaning that there was not enough demand to sell the entire issue at auction. The failed auctions have limited the current liquidity of the Company's investments in ARS and the Company has reason to believe that certain of the underlying issuers of its ARS are currently at risk. The Company does not anticipate, however, that further auction failures will have a material impact on the Company's ability to fund its business.

ARS and preferred securities are reported at fair market value and, as of January 31, 2009, the reported investment amount is net of a $1.5 million temporary impairment and a $5.2 million other-than-temporary impairment ("OTTI") recorded during fiscal 2008 to account for the impairment of certain securities from their stated par value. The Company reported the $1.5 million temporary impairment, net of tax, as an "accumulated other comprehensive loss" of $0.9 million in stockholders' equity as of January 31, 2009. The Company has accounted for the impairment as temporary, as it currently anticipates being able to successfully liquidate its investments without loss once the ARS market resumes normal operations. The Company reported the $5.2 million OTTI ($3.2 million, net of tax) as a loss in the statement of income for the fiscal year ended January 31, 2009. The OTTI is related to investments in auction-rate preferred securities ("ARPS"). ARPS are ARS that have an underlying asset of perpetual preferred stock, providing that in the event of default or liquidation of the collateral by the ARS issuer or trustee, the Company is entitled to receive preferred shares in the ARS issuer. Lehman (which filed for bankruptcy in September 2008) was the broker and auction agent for all of the ARPS held by the Company. The Lehman bankruptcy resulted in the conversion of the Bank of America ARPS to preferred stock during January 2009. The converted shares are valued at the quoted price of the security as of January 31, 2009. Additionally, as a result of the Lehman bankruptcy, the Company had its remaining ARPS converted to preferred securities subsequent to year end. All of these issues of preferred stock are publicly traded and have experienced significant declines in value. Since it is unlikely that the fair market value of these investments will recover in the near term, the Company recorded a charge for OTTI based on the closing price of the converted security as well as for each of the preferred securities underlying the ARPS as of January 31, 2009. Any future fluctuation in fair value related to these securities that the Company judges to be other-than-temporary, including any recoveries of previous write-downs, would be recorded in the statement of income as an adjustment to net income.

The Company reviews all investments for OTTI at least quarterly or as indicators of impairment exist. The value and liquidity of ARS held by the Company may be affected by continued auction-rate failures, the credit quality of each security, the amount and timing of interest payments, the amount and timing of future principal payments, and the probability of full repayment of the principal. Additional indicators of impairment include the duration and severity of the decline in market value. The interest rates on these investments will be determined by the terms of each individual ARS. The material risks associated with the ARS held by the Company include those stated above as well as the current economic environment, downgrading of credit ratings on investments held, and the volatility of the entities backing each of the issues. In addition, the Company considers qualitative factors including, but not limited to, the financial condition of the investee, the credit rating of the investee, and the current and expected market and industry conditions in which the investee operates. The Company believes it has the ability and intent to hold these investments until recovery of market value occurs.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations are based upon The Buckle, Inc.'s financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires that management make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the financial statement date, and the reported amounts of sales and expenses during the reporting period. The Company regularly evaluates its estimates, including those related to inventory and income taxes. Management bases its estimates on past experience and on various other factors that are thought to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management believes that the estimates and judgments used in preparing these financial statements were the most appropriate at that time. Presented below are those critical accounting policies that management believes require subjective and/or complex judgments that could potentially affect reported results of operations.

1. Revenue Recognition. Retail store sales are recorded upon the purchase of merchandise by customers. Online sales are recorded when merchandise is delivered to the customer, with the time of delivery being based on estimated shipping time from the Company's distribution center to the customer. Shipping fees charged to customers are included in revenue and shipping costs are included in selling expenses. The Company accounts for layaway sales in accordance with SAB No. 101, *Revenue Recognition,* recognizing revenue from sales made under its layaway program upon delivery of the merchandise to the customer. Revenue is not recorded when gift cards and gift certificates are sold, but rather when a card or certificate is redeemed for merchandise. A current liability for unredeemed gift cards and certificates is recorded at the time the card or certificate is purchased. The amounts of the gift certificate and gift card liabilities are determined using the outstanding balances from the prior three and four years of issuance, respectively. The liability recorded for unredeemed gift certificates and gift cards was $10.1 million and $8.5 million as of January 31, 2009 and February 2, 2008, respectively. The Company records breakage as other income when the probability of redemption, which is based on historical redemption patterns, is remote. Breakage reported for the fiscal years ended January 31, 2009, February 2, 2008, and February 3, 2007 was $0.4 million, $0.0 million, and $0.3 million, respectively.

The Company establishes a liability for estimated merchandise returns based upon the historical average sales return percentage. Customer returns could potentially exceed the historical average, thus reducing future net sales results and potentially reducing future net earnings. The accrued liability for reserve for sales returns was $0.5 million and $0.4 million at January 31, 2009 and February 2, 2008, respectively.

2. Inventory. Inventory is valued at the lower of cost or market. Cost is determined using an average cost method that approximates the first-in, first-out (FIFO) method. Management makes adjustments to inventory and cost of goods sold, based upon estimates, to reserve for merchandise obsolescence and markdowns that could affect market value, based on assumptions using calculations applied to current inventory levels within each of four different markdown levels. Management also reviews the levels of inventory in each markdown group and the overall aging of the inventory versus the estimated future demand for such product and the current market conditions. Such judgments could vary significantly from actual results, either favorably or unfavorably, due to fluctuations in future economic conditions, industry trends, consumer demand, and the competitive retail environment. Such changes in market conditions could negatively impact the sale of markdown inventory, causing further markdowns or inventory obsolescence, resulting in increased cost of goods sold from write-offs and reducing the Company's net earnings. The liability recorded as a reserve for markdowns and/or obsolescence was $6.2 million and $5.8 million as of January 31, 2009 and February 2, 2008, respectively. The Company is not aware of any events, conditions, or changes in demand or price that would indicate that its inventory valuation may not be materially accurate at this time.

3. Income Taxes. The Company records a deferred tax asset and liability for expected future tax consequences resulting from temporary differences between financial reporting and tax bases of assets and liabilities. The Company considers future taxable income and ongoing tax planning in assessing the value of its deferred tax assets. If the Company determines that it is more than likely that these assets will not be realized, the Company would reduce the value of these assets to their expected realizable value, thereby decreasing net income. Estimating the value of these assets is based upon the Company's judgment. If the Company subsequently determined that the deferred tax assets, which had been written down, would be realized in the future, such value would be increased. Adjustment would be made to increase net income in the period such determination was made.

4. Operating Leases. The Company leases retail stores under operating leases. Most lease agreements contain tenant improvement allowances, rent holidays, rent escalation clauses, and/or contingent rent provisions. For purposes of recognizing lease incentives and minimum rental expenses on a straight-line basis over the terms of the leases, the Company uses the date of initial possession to begin amortization, which is generally when the Company enters the space and begins to make improvements in preparation of intended use. For tenant improvement allowances and rent holidays, the Company records a deferred rent liability on the balance sheets and amortizes the deferred rent over the terms of the leases as reductions to rent expense on the statements of income.

For scheduled rent escalation clauses during the lease terms or for rental payments commencing at a date other than the date of initial occupancy, the Company records minimum rental expenses on a straight-line basis over the terms of the leases on the statements of income. Certain leases provide for contingent rents, which are determined as a percentage of gross sales in excess of specified levels. The Company records a contingent rent liability on the balance sheets and the corresponding rent expense when specified levels have been achieved or are reasonably probable to be achieved.

5. Investments. As more fully described in Liquidity and Capital Resources on pages 12 to 14 and in Note B to the financial statements on pages 30 to 32, in prior years the Company invested a portion of its investments in auction-rate securities ("ARS") and preferred securities. As of January 31, 2009, $30.3 million in investments were in ARS and $0.6 million in preferred securities. As of February 2, 2008, $145.8 million were in ARS and $0.0 million in preferred securities.

The Company reviews impairment in accordance with Emerging Issues Task Force (EITF) 03-1 and FSP SFAS 115-1 and 124-1, *The Meaning of Other-Than-Temporary-Impairment and its Application to Certain Investments,* to determine the classification of potential impairments as either temporary or other-than-temporary. A temporary impairment results in an unrealized loss being recorded in other comprehensive income. An impairment that is considered other-than-temporary would be recognized in net income. The Company considers various factors in reviewing impairment, including the duration and severity of the decline in market value. In addition, the Company considers qualitative factors including, but not limited to, the financial condition of the investee, the credit rating of the investee, the current and expected market and industry conditions in which the investee operates, and the Company's intent and ability to hold the investments for a period of time sufficient to allow for any anticipated recovery in market value. The Company believes it has the ability and maintains its intent to hold these investments until recovery of market value occurs.

The Company's investments in ARS and preferred securities are classified as available-for-sale and reported at fair market value. As of January 31, 2009, the reported investment amount is net of a $1.5 million temporary impairment and a $5.2 million other-than-temporary impairment ("OTTI"). These amounts have been recorded during fiscal 2008 to account for the impairment of certain securities from their stated par value. The $1.5 million temporary impairment is reported, net of tax, as an "accumulated other comprehensive loss" of $0.9 million in stockholders' equity as of January 31, 2009. The Company has accounted for the impairment as temporary, as it currently expects to be able to successfully liquidate its investments without loss once the ARS market resumes normal operations. The Company has reported the $5.2 million OTTI ($3.2 million, net of tax) as a loss in the statement of income for the year ended January 31, 2009.

The Company determined the fair value of ARS using Level 1 inputs for known or anticipated subsequent redemptions at par value, Level 2 inputs using observable inputs, and Level 3 inputs using unobservable inputs, where the following criteria were considered in estimating fair value:

- Pricing was provided by the custodian of ARS;
- Pricing was provided by a third-party broker for ARS;
- Pricing was provided by a third-party valuation consultant;
- Sales of similar securities;
- Quoted prices for similar securities in active markets;
- Quoted prices for underlying publicly traded preferred securities;
- Quoted prices for similar assets in markets that are not active - including markets where there are few transactions for the asset, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.

In addition, the Company considers other factors including, but not limited to, the financial condition of the investee, the credit rating, insurance, guarantees, collateral, cash flows, and the current and expected market and industry conditions in which the investee operates. Management believes it has used information that was reasonably obtainable in order to complete its valuation process and determine if the Company's investments in ARS had incurred any temporary and/or other-than-temporary impairment as of January 31, 2009.

OFF-BALANCE SHEET ARRANGEMENTS, CONTRACTUAL OBLIGATIONS, AND COMMERCIAL COMMITMENTS

As referenced in the tables below, the Company has contractual obligations and commercial commitments that may affect the financial condition of the Company. Based on management's review of the terms and conditions of its contractual obligations and commercial commitments, there is no known trend, demand, commitment, event, or uncertainty that is reasonably likely to occur which would have a material effect on the Company's financial condition, results of operations, or cash flows.

In addition, the commercial obligations and commitments made by the Company are customary transactions, which are similar to those of other comparable retail companies. The operating lease obligations shown in the table below represent future cash payments to landlords required to fulfill the Company's minimum rent requirements. Such amounts are actual cash requirements by year and are not reported net of any tenant improvement allowances received from landlords.

The following tables identify the material obligations and commitments as of January 31, 2009:

	PAYMENTS DUE BY PERIOD				
CONTRACTUAL OBLIGATIONS (dollar amounts in thousands)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	$ –	$ –	$ –	$ –	$ –
Purchase obligations	$ 4,081	$ 3,963	$ 118	$ –	$ –
Deferred compensation	$ 4,090	$ –	$ –	$ –	$ 4,090
Operating leases	$ 240,269	$ 43,398	$ 69,312	$ 52,740	$ 74,819
Total contractual obligations	$ 248,440	$ 47,361	$ 69,430	$ 52,740	$ 78,909

	AMOUNT OF COMMITMENT EXPIRATION PER PERIOD				
OTHER COMMERCIAL COMMITMENTS (dollar amounts in thousands)	Total Amounts Committed	Less than 1 year	1-3 years	4-5 years	After 5 years
Lines of credit	$ –	$ –	$ –	$ –	$ –
Total commercial commitments	$ –	$ –	$ –	$ –	$ –

The Company has available an unsecured line of credit of $17.5 million, of which $10.0 million is available for letters of credit, which is excluded from the preceding table. Certain merchandise purchase orders require that the Company open letters of credit. When the Company takes possession of the merchandise, it releases payment on the letters of credit. The amounts of outstanding letters of credit reported reflect the open letters of credit on merchandise ordered, but not yet received or funded. The Company believes it has sufficient credit available to open letters of credit for merchandise purchases. There were no bank borrowings during fiscal 2008, 2007, and 2006. The Company had outstanding letters of credit totaling $1.1 million and $0.8 million at January 31, 2009 and February 2, 2008, respectively. The Company has no other off-balance sheet arrangements.

SEASONALITY AND INFLATION

The Company's business is seasonal, with the holiday season (from approximately November 15 to December 30) and the back-to-school season (from approximately July 15 to September 1) historically contributing the greatest volume of net sales. For fiscal years 2008, 2007, and 2006, the holiday and back-to-school seasons accounted for approximately 37%, 38%, and 36%, respectively, of the Company's fiscal year net sales. Although the operations of the Company are influenced by general economic conditions, the Company does not believe that inflation has had a material effect on the results of operations during the past three fiscal years. Quarterly results may vary significantly depending on a variety of factors including the timing and amount of sales and costs associated with the opening of new stores, the timing and level of markdowns, the timing of store closings, the remodeling of existing stores, competitive factors, and general economic conditions.

RELATED PARTY TRANSACTIONS

Included in "other assets" is a note receivable of $1.0 million at both January 31, 2009 and February 2, 2008, from a life insurance trust fund controlled by the Company's Chairman. The note was created over three years, beginning in July 1994, when the Company paid life insurance premiums of $0.2 million each year for the Chairman on a personal policy. The note accrues interest at 5% of the principal balance per year and is to be paid from the life insurance proceeds. The note is secured by a life insurance policy on the Chairman.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Effective February 3, 2008, the Company adopted the provisions of FASB Statement No. 157 ("SFAS 157"), *Fair Value Measurements*. This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS 157 apply to all financial instruments that are being measured and reported on a fair value basis. In addition, in February 2008, FASB issued FASB Staff Position ("FSP") FAS 157-2, *Effective Date of FASB Statement No. 157*. This FSP delays the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years, for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The partial adoption of SFAS 157 during fiscal 2008 did not have any impact on the Company's financial position or results of operations and the Company is evaluating the impact of the adoption of SFAS 157 for non-financial assets beginning in the first quarter of fiscal 2009. The Company does not anticipate the adoption will have a material impact on the Company's financial position or results of operations.

Effective February 3, 2008, the Company adopted the provisions of FASB Statement No. 159 ("SFAS 159"), *The Fair Value Option for Financial Assets and Financial Liabilities*. This standard provides an option for companies to report selected financial assets and liabilities at fair value. Although the Company adopted the provisions of SFAS 159 effective with the beginning of the Company's 2008 fiscal year, it did not elect the fair value option for any financial instruments or other items held by the Company. Therefore, the adoption of SFAS 159 did not have any impact on the Company's financial position or results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

Information in this report, other than historical information, may be considered to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "1995 Act"). Such statements are made in good faith by the Company pursuant to the safe-harbor provisions of the 1995 Act. In connection with these safe-harbor provisions, this management's discussion and analysis contains certain forward-looking statements, which reflect management's current views and estimates of future economic conditions, Company performance, and financial results. The statements are based on many assumptions and factors that could cause future results to differ materially. Such factors include, but are not limited to, changes in product mix, changes in fashion trends, competitive factors, and general economic conditions, economic conditions in the retail apparel industry, as well as other risks and uncertainties inherent in the Company's business and the retail industry in general. Any changes in these factors could result in significantly different results for the Company. The Company further cautions that the forward-looking information contained herein is not exhaustive or exclusive. The Company does not undertake to update any forward-looking statements, which may be made from time to time by or on behalf of the Company.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP").

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of January 31, 2009, based on the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in its *Internal Control – Integrated Framework*. In making its assessment of internal control over financial reporting, Management has concluded that the Company's internal control over financial reporting was effective as of January 31, 2009.

The Company's independent registered public accounting firm, Deloitte & Touche LLP, has audited the effectiveness of the Company's internal control over financial reporting. Their report appears herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
The Buckle, Inc.
Kearney, Nebraska

We have audited the internal control over financial reporting of The Buckle, Inc. (the "Company") as of January 31, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2009, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the financial statements as of and for the year ended January 31, 2009 of the Company and our report dated March 30, 2009 expressed an unqualified opinion on those financial statements.

Deloitte & Touche LLP

Omaha, Nebraska
March 30, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
The Buckle, Inc.
Kearney, Nebraska

We have audited the accompanying balance sheets of The Buckle, Inc. (the "Company") as of January 31, 2009 and February 2, 2008 , and the related statements of income, stockholders' equity, and cash flows for each of the three fiscal years in the period ended January 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of The Buckle, Inc. as of January 31, 2009 and February 2, 2008, and the results of its operations and its cash flows for each of the three fiscal years in the period ended January 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of January 31, 2009, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report, dated March 30, 2009, expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte & Touche LLP

Omaha, Nebraska
March 30, 2009

BALANCE SHEETS

(Dollar Amounts in Thousands Except Share and Per Share Amounts)

	January 31, 2009	February 2, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 162,463	$ 64,293
Short-term investments (Notes A, B, and C)	19,150	102,910
Accounts receivable, net of allowance of $46 and $62, respectively	3,734	2,800
Inventory	83,963	77,639
Prepaid expenses and other assets (Note F)	17,655	13,979
Total current assets	286,965	261,621
PROPERTY AND EQUIPMENT (Note D):	264,154	240,237
Less accumulated depreciation and amortization	(147,460)	(137,903)
	116,694	102,334
LONG-TERM INVESTMENTS (Notes A, B, and C)	56,213	81,201
OTHER ASSETS (Notes F and G)	5,468	5,501
	$ 465,340	$ 450,657
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 22,472	$ 25,155
Accrued employee compensation	40,460	27,836
Accrued store operating expenses	7,701	5,704
Gift certificates redeemable	10,144	8,511
Income taxes payable	8,649	10,020
Total current liabilities	89,426	77,226
DEFERRED COMPENSATION (Note I)	4,090	4,127
DEFERRED RENT LIABILITY	34,602	30,984
Total liabilities	128,118	112,337
COMMITMENTS (Notes E and H)		
STOCKHOLDERS' EQUITY (Note J):		
Common stock, authorized 100,000,000 shares of $.01 par value; 45,906,265 and 29,841,668 shares issued and outstanding at January 31, 2009 and February 2, 2008, respectively	459	298
Additional paid-in capital	68,894	46,977
Retained earnings	268,789	291,045
Accumulated other comprehensive loss	(920)	–
Total stockholders' equity	337,222	338,320
	$ 465,340	$ 450,657

See notes to financial statements.

STATEMENTS OF INCOME

(Dollar Amounts in Thousands Except Per Share Amounts)

	FISCAL YEARS ENDED		
	January 31, 2009	February 2, 2008	February 3, 2007
SALES, Net of returns and allowances of $54,973, $42,087, and $38,492, respectively	$ 792,046	$ 619,888	$ 530,074
COST OF SALES (Including buying, distribution, and occupancy costs)	448,558	365,350	322,760
Gross profit	343,488	254,538	207,314
OPERATING EXPENSES:			
Selling	151,251	118,699	107,592
General and administrative	30,041	26,212	20,701
	181,292	144,911	128,293
INCOME FROM OPERATIONS	162,196	109,627	79,021
OTHER INCOME, Net (Note A)	7,829	9,183	9,032
UNREALIZED LOSS ON SECURITIES (Note B)	(5,157)	–	–
INCOME BEFORE INCOME TAXES	164,868	118,810	88,053
PROVISION FOR INCOME TAXES (Note F)	60,459	43,563	32,327
NET INCOME	$ 104,409	$ 75,247	$ 55,726
EARNINGS PER SHARE (Note K):			
Basic	$ 2.30	$ 1.69	$ 1.29
Diluted	$ 2.24	$ 1.63	$ 1.24

See notes to financial statements.

STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollar Amounts in Thousands Except Share and Per Share Amounts)

	Number of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Unearned Compensation	Accumulated Other Comprehensive Loss	Total
BALANCE, January 29, 2006	19,339,153	$ 193	$ 39,651	$ 261,948	$ (1,999)	$ –	$ 299,793
Reclassify unearned compensation	–	–	(1,999)	–	1,999	–	–
Net income	–	–	–	55,726	–	–	55,726
Dividends paid on common stock,							
($0.0756 per share - 1st and 2nd qtrs)	–	–	–	(6,647)	–	–	(6,647)
($0.0889 per share - 3rd qtr)	–	–	–	(3,841)	–	–	(3,841)
($0.1333 per share - 4th qtr)	–	–	–	(5,879)	–	–	(5,879)
($1.3333 per share - 4th qtr)	–	–	–	(58,507)	–	–	(58,507)
Common stock issued on exercise of stock options	573,406	6	11,262	–	–	–	11,268
Issuance of non-vested stock	136,000	1	(1)	–	–	–	–
Amortization of non-vested stock grants	–	–	2,708	–	–	–	2,708
Forfeiture of non-vested stock	(5,530)	–	(13)	–	–	–	(13)
Stock option compensation expense	–	–	2,510	–	–	–	2,510
Common stock purchased and retired	(436,200)	(4)	(16,040)	–	–	–	(16,044)
Income tax benefit related to exercise of stock options	–	–	5,513	–	–	–	5,513
3-for-2 stock split	9,801,747	98	(98)	–	–	–	–
BALANCE, February 3, 2007	29,408,576	294	43,493	242,800	–	–	286,587
Net income	–	–	–	75,247	–	–	75,247
Dividends paid on common stock,							
($0.1333 per share - 1st and 2nd qtrs)	–	–	–	(12,014)	–	–	(12,014)
($0.1667 per share - 3rd and 4th qtrs)	–	–	–	(14,988)	–	–	(14,988)
Common stock issued on exercise of stock options	937,247	9	12,015	–	–	–	12,024
Issuance of non-vested stock, net of forfeitures	138,345	1	(1)	–	–	–	–
Amortization of non-vested stock grants	–	–	3,886	–	–	–	3,886
Stock option compensation expense	–	–	293	–	–	–	293
Common stock purchased and retired	(642,500)	(6)	(21,571)	–	–	–	(21,577)
Income tax benefit related to exercise of stock options	–	–	8,862	–	–	–	8,862
BALANCE, February 2, 2008	29,841,668	298	46,977	291,045	–	–	338,320
Net income	–	–	–	104,409	–	–	104,409
Dividends paid on common stock,							
($0.1667 per share - 1st and 2nd qtrs)	–	–	–	(15,269)	–	–	(15,269)
($0.20 per share - 3rd and 4th qtrs)	–	–	–	(18,474)	–	–	(18,474)
($2.00 per share - 3rd qtr)	–	–	–	(92,922)	–	–	(92,922)
Common stock issued on exercise of stock options	994,555	10	12,714	–	–	–	12,724
Issuance of non-vested stock, net of forfeitrues	139,635	1	(1)	–	–	–	–
Amortization of non-vested stock grants	–	–	4,879	–	–	–	4,879
Stock option compensation expense	–	–	289	–	–	–	289
Common stock purchased and retired	(557,100)	(5)	(9,354)	–	–	–	(9,359)
Income tax benefit related to exercise of stock options	–	–	13,545	–	–	–	13,545
3-for-2 stock split	15,487,507	155	(155)	–	–	–	–
Unrealized loss on investments, net of tax	–	–	–	–	–	(920)	(920)
BALANCE, January 31, 2009	45,906,265	$ 459	$ 68,894	$ 268,789	$ –	$ (920)	$ 337,222

See notes to financial statements.

STATEMENTS OF CASH FLOWS

(Dollar Amounts in Thousands)

	FISCAL YEARS ENDED		
	January 31, 2009	February 2, 2008	February 3, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 104,409	$ 75,247	$ 55,726
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	21,779	20,384	19,370
Amortization of non-vested stock grants, net of forfeitures	4,879	3,886	2,695
Stock option compensation expense	289	293	2,510
Gain on involuntary conversation of aircraft to monetary asset	(2,963)	–	–
Unrealized loss on securitites	5,157	–	–
Deferred income taxes	(595)	(1,509)	(2,454)
Other	574	146	449
Changes in operating assets and liabilities:			
Accounts receivable	(895)	1,246	778
Inventory	(6,324)	(7,333)	(1,575)
Prepaid expenses and other assets	(2,478)	(1,542)	(4,565)
Accounts payable	(844)	8,903	3,146
Accrued employee compensation	12,624	10,036	(2,296)
Accrued store operating expenses	1,997	1,236	743
Gift certificates redeemable	1,633	1,802	1,214
Income taxes payable	906	5,576	1,590
Long-term liabilities and deferred compensation	3,581	2,709	3,060
Net cash flows from operating activities	143,729	121,080	80,391
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(47,448)	(27,484)	(21,857)
Proceeds from sale of property and equipment	11,819	21	20
Change in other assets	(29)	167	(26)
Purchases of investments	(46,687)	(153,511)	(92,685)
Proceeds from sales/maturities of investments	148,818	117,079	121,332
Net cash flows from investing activities	66,473	(63,728)	6,784
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from the exercise of stock options	12,724	12,024	11,268
Excess tax benefit from stock option exercises	11,268	7,744	4,789
Purchases of common stock	(9,359)	(21,577)	(16,044)
Payment of dividends	(126,665)	(27,002)	(74,874)
Net cash flows from financing activities	(112,032)	(28,811)	(74,861)
NET INCREASE IN CASH AND CASH EQUIVALENTS	98,170	28,541	12,314
CASH AND CASH EQUIVALENTS, Beginning of year	64,293	35,752	23,438
CASH AND CASH EQUIVALENTS, End of year	$ 162,463	$ 64,293	$ 35,752

See notes to financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year – The Buckle, Inc. (the "Company") has its fiscal year end on the Saturday nearest January 31. All references in these financial statements to fiscal years are to the calendar year in which the fiscal year begins. Fiscal 2008 represents the 52-week period ended January 31, 2009, fiscal 2007 represents the 52-week period ended February 2, 2008, and fiscal 2006 represents the 53-week period ended February 3, 2007.

Nature of Operations – The Company is a retailer of medium to better-priced casual apparel, footwear, and accessories for fashion conscious young men and women operating 387 stores located in 39 states throughout the continental United States as of January 31, 2009.

During fiscal 2008, the Company opened 21 new stores, substantially renovated 13 stores, and closed 2 stores. During fiscal 2007, the Company opened 20 new stores, substantially renovated 7 stores, and closed 2 stores. During fiscal 2006, the Company opened 17 new stores, substantially renovated 10 stores, and closed 5 stores.

Revenue Recognition – Retail store sales are recorded upon the purchase of merchandise by customers. Online sales are recorded when merchandise is delivered to the customer, with the time of delivery being based on estimated shipping time from the Company's distribution center to the customer. Shipping fees charged to customers are included in revenue and shipping costs are included in selling expenses. Shipping costs were $3,813, $1,882, and $1,547 during fiscal 2008, 2007, and 2006, respectively. Merchandise returns are estimated based upon the historical average sales return percentage and accrued at the end of the period. The reserve for merchandise returns was $526 and $400 as of January 31, 2009 and February 2, 2008, respectively. The Company accounts for layaway sales in accordance with SAB No. 101, *Revenue Recognition,* recognizing revenue from sales made under its layaway program upon delivery of the merchandise to the customer. The Company has several sales incentives that it offers customers including a frequent shopper punch card, B-Rewards gift certificates, and occasional sweepstakes and gift with purchase offers. The frequent shopper punch card is recognized as a cost of goods sold at the time of redemption, using the actual amount tendered. The B-Rewards incentives, based upon $10 for each $300 in net purchases, are recorded as a liability and as a selling expense at the time the gift certificates are earned. Sweepstake prizes are recorded as a cost of goods sold (if it is a merchandise giveaway) or as a selling expense at the time the prize is redeemed by the customer, using actual costs incurred, and gifts with purchase are recorded as a cost of goods sold at the time of the purchase and gift redemption, using the actual cost of the gifted item.

The Company records the sale of gift cards and gift certificates as a current liability and recognizes a sale when a customer redeems the gift card or gift certificate. The amount of the gift certificate liability is determined using the outstanding balances from the prior three years of issuance and the gift card liability is determined using the outstanding balances from the prior four years of issuance. The Company records breakage as other income when the probability of redemption, which is based on historical redemption patterns, is remote. Breakage reported for the fiscal years ended January 31, 2009, February 2, 2008, and February 3, 2007 was $389, $0, and $307, respectively. The Company recognizes a current liability for the downpayment made when merchandise is placed on layaway and recognizes layaways as a sale at the time the customer makes final payment and picks up the merchandise.

Cash and Cash Equivalents – The Company considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents.

Investments – The Company accounts for investments in accordance with Statement of Financial Accounting Standards Board (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities.* Investments classified as short-term investments include securities with a maturity of greater than three months and less than one year, and a portion of the Company's investments in auction-rate securities ("ARS"), which are available-for-sale securities. Available-for-sale securities are reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity (net of the effect of income taxes), using the specific identification method, until they are sold. The Company reviews impairments in accordance with Emerging Issues Task Force (EITF) 03-1 and FSP SFAS 115-1 and 124-1, *The Meaning of Other-Than-Temporary-Impairment and its Application to Certain Investments,* to determine the classification of potential impairments as either "temporary" or "other-than-temporary." A temporary impairment results in an unrealized loss being recorded in other comprehensive income. Impairments that are considered other-than-temporary are recognized as a loss in the statements of income. The Company considers various factors in reviewing impairments, including the length of time and extent to which the fair value has been less than the Company's cost basis, the financial condition and near-term prospects of the issuer, and the Company's intent and ability to hold the investments for a period of time sufficient to allow for any anticipated recovery in market value. Held-to-maturity securities are carried at amortized cost. The Company believes it has the ability and maintains its intent to hold these investments until recovery of market value occurs. Trading securities are reported at fair value, with unrealized gains and losses included in earnings, using the specific identification method.

The Company's investments in ARS and preferred securities are reported at fair market value, and as of January 31, 2009, the reported investment amount is net of a $1,460 temporary impairment and a $5,157 other-than-temporary impairment ("OTTI") recorded during fiscal 2008 to account for the impairment of certain securities from their stated par value. The Company reported the $1,460 temporary impairment, net of tax, as an "accumulated other comprehensive loss" of $920 in stockholders' equity as of January 31, 2009. The Company has accounted for the impairment as temporary, as it currently expects to be able to successfully liquidate its investments without loss once the ARS market resumes normal operations. The Company reported the $5,157 OTTI ($3,249, net of tax) as a loss in the statement of income for the fiscal year ended January 31, 2009. The Company was able to successfully liquidate $112,940 of its investments in ARS at par value during fiscal 2008. The Company reviews all investments for OTTI at least quarterly or as indicators of impairment exist. Indicators of impairment include the duration and severity of the decline in market value. In addition, the Company considers qualitative factors including, but not limited to, the financial condition of the investee, the credit rating of the investee, and the current and expected market and industry conditions in which the investee operates.

Inventory – Inventory is stated at the lower of cost or market. Cost is determined using the average cost method. Management records a reserve for merchandise obsolescence and markdowns based on assumptions using calculations applied to current inventory levels by department within each of four different markdown levels. Management also reviews the levels of inventory in each markdown group, and the overall aging of inventory, versus the estimated future demand for such product and the current market conditions. The calculation for estimated markdowns and/or obsolescence reduced the Company's inventory valuation by $6,228 and $5,789 as of January 31, 2009 and February 2, 2008, respectively. The amount charged (credited) to cost of goods sold, resulting from changes in the markdown reserve balance, was $439, $(581), and $(126), for fiscal years 2008, 2007, and 2006, respectively.

Property and Equipment – Property and equipment are stated on the basis of historical cost. Depreciation is provided using a combination of accelerated and straight-line methods based upon the estimated useful lives of the assets. The majority of the property and equipment have useful lives of five to ten years with the exception of buildings, which have estimated useful lives of 31.5 to 39 years. Leasehold improvements are stated on the basis of historical cost and are amortized over the shorter of the life of the lease or the estimated economic life of the assets. When circumstances indicate the carrying values of long-lived assets may be impaired, an evaluation is performed on current net book value amounts. Judgments made by the Company related to the expected useful lives of property and equipment and the ability to realize cash flows in excess of carrying amounts of such assets are affected by factors such as changes in economic conditions and changes in operating performance. As the Company assesses the expected cash flows and carrying amounts of long-lived assets, adjustments are made to such carrying values.

Pre-Opening Expenses – Costs related to opening new stores are expensed as incurred.

Advertising Costs – Advertising costs are expensed as incurred and were $7,674, $6,376, and $6,453 for fiscal years 2008, 2007, and 2006, respectively.

Health Care Costs - The Company is self-funded for health and dental claims up to $200 per individual per plan year. The Company's plan covers eligible employees, and management makes estimates at period end to record a reserve for unpaid claims based upon historical claims information. The accrued liability as a reserve for unpaid health care claims was $600 as of both January 31, 2009 and February 2, 2008.

Operating Leases – The Company leases retail stores under operating leases. Most lease agreements contain tenant improvement allowances, rent holidays, rent escalation clauses, and/or contingent rent provisions. For purposes of recognizing lease incentives and minimum rental expenses on a straight-line basis over the terms of the leases, the Company uses the date of initial possession to begin expensing rent, which is generally when the Company enters the space and begins to make improvements in preparation of intended use.

For tenant improvement allowances and rent holidays, the Company records a deferred rent liability on the balance sheets and amortizes the deferred rent over the terms of the leases as reductions to rent expense on the statements of income.

For scheduled rent escalation clauses during the lease terms or for rental payments commencing at a date other than the date of initial occupancy, the Company records minimum rental expenses on a straight-line basis over the terms of the leases on the statements of income. Certain leases provide for contingent rents, which are determined as a percentage of gross sales in excess of specified levels. The Company records a contingent rent liability in "accrued store operating expenses" on the balance sheets and the corresponding rent expense when specified levels have been achieved or are reasonably probable to be achieved.

Other Income – The Company's other income is derived primarily from interest and dividends received on cash and investments, but also includes miscellaneous other sources of income.

Income Taxes – The Company records a deferred tax asset and liability for expected future tax consequences resulting from temporary differences between financial reporting and tax bases of assets and liabilities. The Company considers future taxable income and ongoing tax planning in assessing the value of its deferred tax assets. If the judgment of the Company's management determines that it is more than likely that these assets will not be realized, the Company would reduce the value of these assets to their expected realizable value, thereby decreasing net income. If the Company subsequently determined that the deferred tax assets, which had been written down, would be realized in the future, such value would be increased. Adjustment would be made to increase net income in the period such determination was made.

Stock Splits – On December 11, 2006, the Company's Board of Directors approved a 3-for-2 stock split payable in the form of a stock dividend for shareholders of record as of January 3, 2007, with a distribution date of January 12, 2007. On September 15, 2008, the Company's Board of Directors approved a 3-for-2 stock split payable in the form of a stock dividend for shareholders of record as of October 15, 2008, with a distribution date of October 30, 2008. All share and per share data (except par value and historical stockholders' equity data) presented in the financial statements for all periods has been adjusted to reflect the impact of these stock splits.

Financial Instruments and Credit Risk Concentrations – Financial instruments, which potentially subject the Company to concentrations of credit risk, are primarily cash, investments, and accounts receivable. The Company places its investments primarily in tax-free municipal bonds, auction-rate securities, or U.S. Treasury securities with short-term maturities and limits the amount of credit exposure to any one entity.

Of the Company's $237,826 in total cash and investments as of January 31, 2009, $30,278 was comprised of investments in auction-rate securities ("ARS") and $600 of investments in preferred securities. ARS have a long-term stated maturity, but are reset through a "dutch auction" process that occurs every 7 to 49 days, depending on the terms of the individual security. Until February 2008, the ARS market was highly liquid. During February 2008, however, a significant number of auctions related to these securities failed, meaning that there was not enough demand to sell the entire issue at auction. The impact of the failed auctions on holders of ARS is that the holder cannot sell the securities and the issuer's interest rate is generally reset to a higher "penalty" rate. The failed auctions have limited the current liquidity of certain of the Company's investments in ARS, however, the Company has no reason to believe that any further auction failures will have a material impact on the Company's ability to fund its business. Concentrations of credit risk with respect to accounts receivable are limited due to the nature of the Company's receivables, which include primarily employee receivables that can be offset against future compensation. The Company's financial instruments have a fair value approximating the carrying value.

(Dollar Amounts in Thousands Except Share and Per Share Amounts)

Earnings Per Share – Basic earnings per share data are based on the weighted average outstanding common shares during the period. Diluted earnings per share data are based on the weighted average outstanding common shares and the effect of all dilutive potential common shares, including stock options. Basic and diluted earnings per share for fiscal 2006 and 2007 have been adjusted to reflect the impact of the Company's 3-for-2 stock split paid in the form of a stock dividend on October 30, 2008.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Comprehensive Income – Comprehensive income consists of net income and unrealized gains and losses on available-for-sale securities. Unrealized losses on the Company's investments in auction-rate securities have been included in accumulated other comprehensive loss and are separately included as a component of stockholders' equity, net of related income taxes.

	FISCAL YEARS ENDED		
	January 31, 2009	February 2, 2008	February 3, 2007
Net income	$ 104,409	$ 75,247	$ 55,726
Changes in net unrealized losses on investments in auction-rate securities, net of taxes of $540, $0, and $0, respectively	(920)	–	–
Comprehensive Income	$ 103,489	$ 75,247	$ 55,726

Recently Issued Accounting Pronouncements – Effective February 3, 2008, the Company adopted the provisions of FASB Statement No. 157 ("SFAS 157"), *Fair Value Measurements*. This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS 157 apply to all financial instruments that are being measured and reported on a fair value basis. In addition, in February 2008, FASB issued FASB Staff Position ("FSP") FAS 157-2, *Effective Date of FASB Statement No. 157*. This FSP delays the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years, for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The partial adoption of SFAS 157 during fiscal 2008 did not have any impact on the Company's financial position or results of operations and the Company is evaluating the impact of the adoption of SFAS 157 for non-financial assets beginning in the first quarter of fiscal 2009. The Company does not anticipate the adoption will have a material impact on the Company's financial position or results of operations.

Effective February 3, 2008, the Company adopted the provisions of FASB Statement No. 159 ("SFAS 159"), *The Fair Value Option for Financial Assets and Financial Liabilities*. This standard provides an option for companies to report selected financial assets and liabilities at fair value. Although the Company adopted the provisions of SFAS 159 effective with the beginning of the Company's 2008 fiscal year, it did not elect the fair value option for any financial instruments or other items held by the Company. Therefore, the adoption of SFAS 159 did not have any impact on the Company's financial position or results of operations.

Supplemental Cash Flow Information – The Company had non-cash investing activities during fiscal years 2008, 2007, and 2006 of $1,839, $1,582, and $405, respectively. The non-cash investing activity relates to unpaid purchases of property, plant, and equipment included in accounts payable as of the end of the year. Amounts reported as unpaid purchases are recorded as cash outflows from investing activities for purchases of property, plant, and equipment in the statement of cash flows in the period they are paid.

Additional cash flow information for the Company includes cash paid for income taxes during fiscal years 2008, 2007, and 2006 of $48,879, $31,730, and $28,516, respectively.

(Dollar Amounts in Thousands Except Share and Per Share Amounts)

B. INVESTMENTS

The following is a summary of investments as of January 31, 2009:

	Amortized Cost or Par Value	Gross Unrealized Gains	Gross Unrealized Losses	Other-than-Temporary Impairment	Estimated Fair Value
Available-for-Sale Securities:					
Auction-rate securities	$ 35,495	$ –	$ (1 ,460)	$ (3,757)	$ 30,278
Preferred stock	2,000	–	–	(1,400)	600
	$ 37,495	$ –	$ (1,460)	$ (5,157)	$ 30,878
Held-to-Maturity Securities:					
State and municipal bonds	$ 31,965	$ 536	$ (90)	–	$ 32,411
Fixed maturities	2,500	37	(7)	–	2,530
Certificates of deposit	2,945	42	–	–	2,987
U.S. treasuries	2,985	19	(9)	–	2,995
	$ 40,395	$ 634	$ (106)	–	$ 40,923
Trading Securities:					
Mutual funds	$ 5,165	$ –	$ (1,075)	–	$ 4,090

The following is a summary of investments as of February 2, 2008:

	Amortized Cost or Par Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-Sale Securities:				
Auction-rate securities	$ 145,835	$ –	$ –	$ 145,835
Held-to-Maturity Securities:				
State and municipal bonds	$ 26,260	$ 375	$ (10)	$ 26,625
Fixed maturities	2,899	1	–	2,900
U.S. treasuries	4,990	24	–	5,014
	$ 34,149	$ 400	$ (10)	$ 34,539
Trading Securities:				
Mutual funds	$ 4,143	$ 5	$ (21)	$ 4,127

The auction-rate securities were invested as follows as of January 31, 2009:

Nature	Underlying Collateral	Par Value
Municipal revenue bonds	83% insured by AAA/AA/A-rated bond insurers at January 31, 2009	$ 14,945
Municipal bond funds	Fixed income instruments within issuers' money market funds	11,400
Student loan bonds	Student loans guaranteed by state entities	3,750
Tax preferred securities	Underlying investments of closed-end funds	5,400
Total par value		$ 35,495

As of January 31, 2009, the Company's auction-rate securities portfolio was 49% AAA/Aaa-rated, 29% AA/Aa-rated, 7% A-rated, and 15% below A-rated.

(Dollar Amounts in Thousands Except Share and Per Share Amounts)

The amortized cost and fair value of debt securities by contractual maturity as of January 31, 2009 is as follows:

	Amortized Cost	Fair Value
FISCAL PERIODS		
Twelve months ending January 30, 2010	$ 17,600	$ 17,725
Twelve months ending January 29, 2011	11,700	11,851
Twelve months ending January 28, 2012	3,040	3,123
Twelve months ending February 2, 2013	1,190	1,252
Twelve months ending February 1, 2014	964	999
Thereafter	5,901	5,973
	$ 40,395	$ 40,923

At January 31, 2009 and February 2, 2008, held-to-maturity investments of $22,795 and $20,152 are classified in long-term investments. Trading securities are held in a Rabbi Trust, intended to fund the Company's deferred compensation plan, and are classified in long-term investments.

The Company's investments in auction-rate securities ("ARS") are classified as available-for-sale and reported at fair market value. As of January 31, 2009, the reported investment amount is net of $1,460 of temporary impairment and $5,157 of other-than-temporary impairment ("OTTI"). These amounts have been recorded during fiscal 2008 to account for the impairment of certain securities from their stated par value. The $1,460 temporary impairment is reported, net of tax, as an "accumulated other comprehensive loss" of $920 in stockholders' equity as of January 31, 2009. The Company has reported the $5,157 OTTI ($3,249, net of tax) as a loss in the statement of income for the year ended January 31, 2009.

As of January 31, 2009, the Company had $35,495 invested in ARS and $2,000 invested in preferred securities, at par value, which are reported at their estimated fair value of $30,278 and $600, respectively. As of February 2, 2008, the Company had $145,835 invested in ARS and no preferred securities. ARS have a long-term stated maturity, but are reset through a "dutch auction" process that occurs every 7 to 49 days, depending on the terms of the individual security. Until February 2008, the ARS market was highly liquid. During February 2008, however, a significant number of auctions related to these securities failed, meaning that there was not enough demand to sell the entire issue at auction. The failed auctions have limited the current liquidity of certain of the Company's investments in ARS and the Company has reason to believe that certain of the underlying issuers of its ARS are currently at risk. The Company does not, however, anticipate that further auction failures will have a material impact on the Company's ability to fund its business. The Company was able to successfully liquidate $112,940 of its investments in ARS at par value during fiscal 2008.

As of January 31, 2009, $1,550 of the Company's investment in ARS and preferred securities was classified in short-term investments, due to known or anticipated subsequent redemptions, and $29,328 was classified in long-term investments. The amount classified in long-term investments has not experienced a successful auction subsequent to the end of the Company's fiscal year and is net of $1,460 of temporary impairment plus $5,157 of OTTI. The OTTI is related to investments in auction-rate preferred securities ("ARPS"). ARPS are ARS that have an underlying asset of perpetual preferred stock, providing that in the event of default or liquidation of the collateral by the ARS issuer or trustee, the Company is entitled to receive preferred shares in the ARS issuer. Lehman (which filed for bankruptcy in September 2008) was the broker and auction agent for all of the ARPS held by the Company. The Lehman bankruptcy resulted in the conversion of the Bank of America ARPS to preferred stock during January 2009. The converted shares are valued at the quoted price of the security as of January 31, 2009. Additionally, as a result of the Lehman bankruptcy, the Company had its remaining ARPS converted to preferred securities subsequent to year end. All of these issues of preferred stock are publicly traded and have experienced significant declines in value. Since it is unlikely that the fair market value of these investments will recover in the near term, the Company recorded a charge for OTTI based on the closing price of the converted security as well as for each of the preferred securities underlying the ARPS as of January 31, 2009. For the investments considered temporarily impaired, the Company believes that these ARS can be successfully redeemed or liquidated through future auctions at par value plus accrued interest. The Company believes it has the ability and maintains its intent to hold these investments until such recovery of market value occurs; therefore, the Company believes the current lack of liquidity has created the temporary impairment in valuation.

As of February 2, 2008, $88,913 of the Company's investment in ARS was classified in short-term investments and $56,922 was classified in long-term investments.

C. FAIR VALUE MEASUREMENTS

Effective February 3, 2008, the Company adopted the provisions of FASB Statement No. 157 ("SFAS 157"), *Fair Value Measurements*. This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS 157 apply to all financial instruments that are being measured and reported on a fair value basis. In addition, in February 2008, FASB issued FASB Staff Position ("FSP") FAS 157-2, *Effective Date of FASB Statement No. 157*. This FSP delays the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 for all non-financial assets and liabilities. The partial adoption of SFAS 157 did not have any impact on the Company's financial position or results of operations.

As defined by SFAS 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

- **Level 1** – Quoted market prices in active markets for identical assets or liabilities. Short-term and long-term investments with active markets or known redemption values are reported at fair value utilizing Level 1 inputs.

- **Level 2** – Observable market-based inputs (either directly or indirectly) such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or inputs that are corroborated by market data. Items reported at fair value using Level 2 inputs consist of certain auction-rate securities ("ARS") classified as long-term investments. The Company concluded that its auction-rate preferred securities ("ARPS") with underlyings of publicly traded preferred stock, classified as long-term due to failed auctions, represent Level 2 valuation and are valued using the publicly available trading prices of the underlying preferred shares as the basis for valuation.

- **Level 3** – Unobservable inputs that are not corroborated by market data and are projections, estimates, or interpretations that are supported by little or no market activity and are significant to the fair value of the assets. The Company has concluded that certain of its ARS represent Level 3 valuation and should be valued using a discounted cash flow analysis. The assumptions used in preparing the discounted cash flow model include estimates for interest rates, timing and amount of cash flows, and expected holding periods of the ARS.

As of January 31, 2009, the Company held certain assets that are required to be measured at fair value on a recurring basis including available-for-sale and trading securities. The Company's available-for-sale securities include its investments in ARS, as further described in Note B. The failed auctions, beginning in February 2008, related to certain of the Company's investments in ARS have limited the availability of quoted market prices. The Company has determined the fair value of its ARS using Level 1 inputs for known or anticipated subsequent redemptions at par value, Level 2 inputs using observable inputs, and Level 3 inputs using unobservable inputs where the following criteria were considered in estimating fair value:

- Pricing was provided by the custodian of ARS;
- Pricing was provided by a third-party broker for ARS;
- Pricing was provided by a third-part valuation consultant;
- Sales of similar securities;
- Quoted prices for similar securities in active markets;
- Quoted prices for underlying publicly traded preferred securities;
- Quoted prices for similar assets in markets that are not active - including markets where there are few transactions for the asset, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.

(Dollar Amounts in Thousands Except Share and Per Share Amounts)

In addition, the Company considers other factors including, but not limited to, the financial condition of the investee, the credit rating, insurance, guarantees, collateral, cash flows, and the current and expected market and industry conditions in which the investee operates. Management believes it has used information that was reasonably obtainable in order to complete its valuation process and determine if the Company's investments in ARS had incurred any temporary and/or other-than-temporary impairment as of January 31, 2009.

As a result of the decline in fair value for certain of the Company's investments in ARS, the Company recorded a temporary impairment of $1,460 and an OTTI of $5,157 during fiscal 2008. The Company has reported the $1,460 temporary impairment, net of tax, as a $920 reduction to stockholders' equity in "accumulated other comprehensive loss" as of January 31, 2009. Any future fluctuation in fair value related to these securities that the Company judges to be temporary, including any recoveries of previous write-downs, would be recorded as an adjustment to "accumulated other comprehensive loss." The Company has reported the $5,157 OTTI ($3,249, net of tax) as a loss in the statement of income for the fiscal year ended January 31, 2009. The Company reviews all investments for OTTI at least quarterly or as indicators of impairment exist. The value and liquidity of ARS held by the Company may be affected by continued auction-rate failures, the credit quality of each security, the amount and timing of interest payments, the amount and timing of future principal payments, and the probability of full repayment of the principal. Additional indicators of impairment include the duration and severity of the decline in market value. The interest rates on these investments will be determined by the terms of each individual ARS. The material risks associated with the ARS held by the Company include those stated above as well as the current economic environment, downgrading of credit ratings on investments held, and the volatility of the entities backing each of the issues. In addition, the Company considers other factors including, but not limited to, the financial condition of the investee, the credit rating of the investee, and the current and expected market and industry conditions in which the investee operates.

The Company's financial assets measured at fair value on a recurring basis subject to the disclosure requirements of SFAS 157 as of January 31, 2009 were as follows:

	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
ASSETS:				
Available-for-sale securities (including auction-rate securities and preferred stock)	$ 2,150	$ 21,468	$ 7,260	$ 30,878
Trading securities (including mutual funds)	4,090	–	–	4,090
Totals	$ 6,240	$ 21,468	$ 7,260	$ 34,968

ARS and preferred securities included in Level 1 represent securities which have a known or anticipated upcoming redemption as of January 31, 2009 and those that have publicly traded quoted prices. ARS included in Level 2 represent securities which have not experienced a successful auction subsequent to February 2, 2008. The fair market value for these securities was determined by applying a discount to par value based on auction prices for similar securities and by utilizing a discounted cash flow model, using market-based inputs, to determine fair value. The Company used a discounted cash flow model to value its Level 3 investments, using estimates regarding recovery periods, yield, and liquidity. The assumptions used are subjective based upon management's judgment and views on current market conditions, and resulted in $690 of the Company's recorded temporary impairment. The use of different assumptions would result in a different valuation and related temporary impairment charge. Prior to fiscal 2008, the fair value for these securities had been based on quoted market prices, which were readily available at that time.

(Dollar Amounts in Thousands Except Share and Per Share Amounts)

D. PROPERTY AND EQUIPMENT

	January 31, 2009	February 2, 2008
Land	$ 1,170	$ 1,170
Building and improvements	13,447	12,233
Office equipment	6,043	4,839
Transportation equipment	18,997	15,863
Leasehold improvements	111,544	103,157
Furniture and fixtures	96,778	86,409
Shipping/receiving equipment	10,294	10,093
Screenprinting equipment	111	111
Construction-in-progress	5,770	6,362
	$ 264,154	$ 240,237

E. FINANCIAL ARRANGEMENTS

The Company has available an unsecured line of credit of $17,500 of which $10,000 is available for letters of credit. Borrowings under the line of credit and letter of credit provide for interest to be paid at a rate equal to the prime rate as set by the Wells Fargo Bank, N.A. index on the date of the borrowings. There were no bank borrowings at January 31, 2009 and February 2, 2008. There were no bank borrowings during fiscal 2008, 2007, and 2006. The Company had outstanding letters of credit totaling $1,059 and $813 at January 31, 2009 and February 2, 2008, respectively.

F. INCOME TAXES

The provision for income taxes consists of:

	FISCAL YEARS ENDED		
	January 31, 2009	February 2, 2008	February 3, 2007
Current income tax expense (benefit):			
Federal	$ 52,905	$ 38,224	$ 29,397
State	8,149	6,849	5,384
Deferred	(595)	(1,509)	(2,454)
Total	$ 60,459	$ 43,564	$ 32,327

Total income tax expense for the year varies from the amount which would be provided by applying the statutory income tax rate to earnings before income taxes. The primary reasons for this difference (expressed as a percent of pre-tax income) are as follows:

	FISCAL YEARS ENDED		
	January 31, 2009	February 2, 2008	February 3, 2007
Statutory rate	35.0%	35.0%	35.0%
State income tax effect	3.6	4.0	4.1
Tax exempt interest income	(1.0)	(2.0)	(2.2)
Other	(0.9)	(0.3)	(0.2)
Effective tax rate	36.7%	36.7%	36.7%

(Dollar Amounts in Thousands Except Share and Per Share Amounts)

Deferred income tax assets and liabilities are comprised of the following:

	January 31, 2009	February 2, 2008
Deferred income tax assets (liabilities):		
Inventory	$ 3,681	$ 3,384
Stock-based compensation	3,112	2,639
Accrued compensation	2,547	2,291
Accrued store operating costs	262	152
Unrealized loss on securities	2,847	6
Gift certificates redeemable	495	406
Allowance for doubtful accounts	17	23
Deferred rent liability	12,803	11,464
Property and equipment	(14,228)	(9,964)
Net deferred income tax asset	$ 11,536	$ 10,401

At January 31, 2009 and February 2, 2008, respectively, the net current deferred income tax assets of $7,085 and $5,887 are classified in "prepaid expenses and other assets." The net non-current deferred income tax assets of $4,451 and $4,514 are classified in "other assets" at January 31, 2009 and February 2, 2008, respectively.

G. RELATED PARTY TRANSACTIONS

Included in "other assets" is a note receivable of $1,005 at January 31, 2009 and $975 at February 2, 2008, respectively, from a life insurance trust fund controlled by the Company's Chairman. The note was created over three years, beginning in July 1994, when the Company paid life insurance premiums of $200 each year for the Chairman on a personal policy. The note accrues interest at 5% of the principal balance per year and is to be paid from the life insurance proceeds. The note is secured by a life insurance policy on the Chairman.

H. COMMITMENTS

Leases - The Company conducts its operations in leased facilities under numerous non-cancelable operating leases expiring at various dates through fiscal 2020. Most of the Company's stores have lease terms of approximately ten years and generally do not contain renewal options. Most lease agreements contain tenant improvement allowances, rent holidays, lease premiums, rent escalation clauses, and/or rent provisions. For purposes of recognizing incentives, premiums, and minimum rental expenses on a straight-line basis over the terms of the leases, the Company uses the date of initial possession to begin amortization, which is generally when the Company enters the space and begins to make improvements in preparation of intended use. Operating lease base rental expense for fiscal 2008, 2007, and 2006 was $41,687, $38,298, and $36,093, respectively. Most of the rental payments are based on a minimum annual rental plus a percentage of sales in excess of a specified amount. Percentage rents for fiscal 2008, 2007, and 2006 were $3,202, $1,159, and $554, respectively.

Total future minimum rental commitments under these operating leases with remaining lease terms in excess of one year as of January 31, 2009 are as follows:

	Minimum Rental Commitments
FISCAL YEAR	
2009	$ 43,398
2010	37,376
2011	31,936
2012	28,039
2013	24,701
Thereafter	74,819
Total minimum lease payments required	$ 240,269

(Dollar Amounts in Thousands Except Share and Per Share Amounts)

Litigation - From time to time, the Company is involved in litigation relating to claims arising out of its operations in the normal course of business. As of the date of these financial statements, the Company was not engaged in any legal proceedings that are expected, individually or in the aggregate, to have a material effect on the Company.

I. EMPLOYEE BENEFITS

The Company has a 401(k) profit sharing plan covering all eligible employees who elect to participate. Contributions to the plan are based upon the amount of the employees' deferrals and the employer's discretionary matching formula. The Company may contribute to the plan at its discretion. The total expense under the profit sharing plan was $1,022, $887, and $572 for fiscal years 2008, 2007, and 2006, respectively.

The Buckle, Inc. Deferred Compensation Plan covers the Company's executive officers. The plan is funded by participant contributions and a specified annual Company matching contribution not to exceed 6% of the participant's compensation. The Company's contributions were $341, $390, and $153 for fiscal years 2008, 2007, and 2006, respectively.

J. STOCK-BASED COMPENSATION

The Company has several stock option plans which allow for granting of stock options to employees, executives, and directors. The options are in the form of non-qualified stock options and are granted with an exercise price equal to the market value of the Company's common stock on the date of grant. The options generally expire ten years from the date of grant. The Company also has a restricted stock plan that allows for the granting of non-vested shares of common stock to employees and executives.

As of January 31, 2009, 637,126 shares were available for grant under the various stock option plans, of which 452,502 were available for grant to executive officers. Also as of January 31, 2009, 314,940 shares were available for grant under the Company's 2005 Restricted Stock Plan, all of which were available for grant to executive officers. On May 28, 2008, shareholders also approved the Company's 2008 Director Restricted Stock Plan. The plan is designed to replace the annual stock option grants historically made to non-employee directors under the Company's 1993 Director Stock Option Plan with annual grants of restricted shares beginning with the grants scheduled to be made on the first day of fiscal 2009. A total of 90,000 shares have been reserved for issuance under the plan.

The Company accounts for stock-based compensation in accordance with FASB Statement No. 123 (revised 2004) ("SFAS 123(R)"), *Share-Based Payment.* Compensation expense was recognized in fiscal 2008, 2007, and 2006 for new awards, based on the grant date fair value, as well as for the portion of awards granted in fiscal years prior to SFAS 123(R) adoption that was not vested as of the beginning of fiscal 2006. The fair value of stock options is determined using the Black-Scholes option pricing model, while the fair value of grants of non-vested common stock awards is the stock price on the date of grant.

Information regarding the impact of stock-based compensation expense is as follows:

	FISCAL YEARS ENDED		
	January 31, 2009	February 2, 2008	February 3, 2007
Stock-based compensation expense, before tax:			
Stock options	$ 289	$ 293	$ 2,510
Non-vested shares of common stock	4,879	3,886	2,695
Total stock-based compensation expense, before tax	$ 5,168	$ 4,179	$ 5,205
Total stock-based compensation expense, after tax	$ 3,256	$ 2,633	$ 3,279

(Dollar Amounts in Thousands Except Share and Per Share Amounts)

Stock option compensation expense is allocated to cost of sales, selling expenses, and general and administrative expenses in a method similar to that of allocating accrued incentive bonus expense. Expense related to grants of non-vested shares of common stock is included in general and administrative expenses. In the fourth quarter of fiscal 2006, the vesting of 605,000 stock options was accelerated by the achievement of a market performance feature pursuant to the stock option plan and the award agreements. The accelerated vesting triggered the early recognition of $1,066 of stock option compensation expense related to the stock option grants, which the Company had been recording on a straight line basis over the previously expected remaining vesting period through December 30, 2008.

SFAS 123(R) requires the benefits of tax deductions in excess of the compensation cost recognized for stock options exercised during the period to be classified as financing cash inflows. This amount is shown as "excess tax benefit from stock option exercises" on the statements of cash flows. For fiscal 2008, 2007, and 2006, the excess tax benefit realized from exercised stock options was $11,268, $7,744, and $4,789, respectively.

Stock options granted during fiscal 2008, 2007, and 2006 were granted under the Company's 1993 Director Stock Option Plan. Grants were made with an exercise price equal to the market value of the Company's common stock on the date of grant and a contractual term of ten years. Options granted under the 1993 Director Stock Option Plan typically vest over a period of three years.

The weighted average grant date fair value of options granted during the fiscal year was $12.61, $12.81, and $9.97 per option for fiscal 2008, 2007, and 2006, respectively. The fair value of options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

	FISCAL YEARS ENDED		
	January 31, 2009	February 2, 2008	February 3, 2007
Risk-free interest rate (1)	3.10 %	4.80 %	4.50 - 5.00 %
Dividend yield (2)	2.40 %	2.40 %	1.60 - 2.00 %
Expected volatility (3)	33.00 %	39.00 %	45.00 %
Expected lives - years (4)	7.0	7.0	7.0

(1) Based on the U.S. Treasury yield curve in effect at the time of grant with a term consistent with the expected lives of stock options.
(2) Based on expected dividend yield as of the date of grant.
(3) Based on historical volatility of the Company's common stock over a period consistent with the expected lives of options.
(4) Based on historical and expected exercise behavior.

On December 11, 2006, the Board of Directors authorized a $3.00 per share ($1.33 per share after adjustment for 3-for-2 stock splits) special one-time cash dividend to be paid on January 2, 2007 to shareholders of record at the close of business on December 22, 2006. Additionally, on September 15, 2008, the Board of Directors authorized another $3.00 per share ($2.00 per share after 3-for-2 stock split) special one-time cash dividend to be paid on October 27, 2008 to shareholders of record at the close of business on October 15, 2008. To preserve the intrinsic value for option holders, the Board also approved on each occasion, pursuant to the terms of the Company's various stock option plans, a proportional adjustment to both the exercise price and the number of shares covered by each award for all outstanding stock options. These adjustments did not result in any incremental compensation expense.

(Dollar Amounts in Thousands Except Share and Per Share Amounts)

A summary of the Company's stock-based compensation activity related to stock options for the fiscal year ended January 31, 2009 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding - beginning of year	3,085,842	$ 8.48		
Granted	40,500	28.01		
Other (1)	422	9.34		
Expired/forfeited	(254)	10.65		
Exercised	(1,491,347)	8.53		
Outstanding - end of year	1,635,163	$ 6.91	4.14 years	$ 23,458
Exercisable - end of year	1,584,300	$ 6.37	3.99 years	$ 23,445

(1) Adjustments were made to the exercise price and number of option outstanding for both the special cash dividend and 3-for-2 stock split during the third quarter of fiscal 2008. Historical information in this table has been adjusted to reflect the 3-for-2 stock split. "Other" represents additional options issued as a result of the special cash dividend in October 2008.

The total intrinsic value of options exercised during fiscal 2008, 2007, and 2006, respectively, was $35,447, $23,135, and $14,656. As of January 31, 2009, there was $239 of unrecognized compensation expense related to non-vested stock options. It is expected that this expense will be recognized over a weighted average period of approximately 1.7 years.

Non-vested shares of common stock granted during fiscal 2008, 2007, and 2006 were granted pursuant to the Company's 2005 Restricted Stock Plan. Shares granted under the plan typically vest over a period of four years, only upon certification by the Compensation Committee of the Board of Directors that the Company has achieved it pre-established performance targets for the fiscal year.

A summary of the Company's stock-based compensation activity related to grants of non-vested shares of common stock for the fiscal year ended January 31, 2009 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Non-Vested - beginning of year	434,417	$ 18.96
Granted	210,075	28.01
Forfeited	(465)	20.57
Vested	(220,856)	18.21
Non-Vested - end of year	423,171	$ 23.84

As of January 31, 2009, there was $4,052 of unrecognized compensation expense related to grants of non-vested shares. It is expected that this expense will be recognized over a weighted average period of approximately 2.0 years. The total fair value of shares vested during fiscal 2008, 2007, and 2006 was $5,128, $4,398, and $1,480, respectively.

(Dollar Amounts in Thousands Except Share and Per Share Amounts)

K. EARNINGS PER SHARE

The following table provides reconciliation between basic and diluted earnings per share:

	FISCAL YEARS ENDED								
	January 31, 2009			February 2, 2008			February 3, 2007		
	Income	Weighted Average Shares	Per Share Amount	Income	Weighted Average Shares	Per Share Amount	Income	Weighted Average Shares	Per Share Amount
BASIC EPS									
Net income	$ 104,409	45,367	$ 2.30	$ 75,247	44,551	$ 1.69	$ 55,726	43,353	$ 1.29
EFFECT OF DILUTIVE SECURITIES									
Stock options and non-vested shares	–	1,207	(0.06)	–	1,703	(0.06)	–	1,668	(0.05)
DILUTED EPS	$ 104,409	46,574	$ 2.24	$ 75,247	46,254	$ 1.63	$ 55,726	45,021	$ 1.24

Stock options to purchase 72,637 shares of common stock were not included in the computation of diluted earnings per share for fiscal 2008 because the options would be considered anti-dilutive. No stock options were deemed anti-dilutive and excluded from the computation of diluted earnings per share for fiscal 2007 or 2006.

L. SEGMENT INFORMATION

The Company is a retailer of medium to better-priced casual apparel, footwear, and accessories. The Company operated 387 stores located in 39 states throughout the continental United States as of January 31, 2009. The Company operates its business as one segment.

The following is information regarding the Company's major product lines and is stated as a percentage of the Company's net sales:

	FISCAL YEARS ENDED		
	January 31, 2009	February 2, 2008	February 3, 2007
Denims	41.4 %	43.2 %	44.6 %
Tops (including sweaters)	39.0	36.1	31.0
Accessories	7.7	7.7	9.2
Footwear	4.6	5.6	7.0
Sportswear/fashions	4.6	4.3	3.9
Outerwear	2.0	2.0	2.3
Casual bottoms	0.6	1.0	1.9
Other	0.1	0.1	0.1
	100.0 %	100.0 %	100.0 %

(Dollar Amounts in Thousands Except Share and Per Share Amounts)

M. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected unaudited quarterly financial information for fiscal 2008 and 2007 are as follows:

	QUARTER			
FISCAL 2008	First	Second	Third	Fourth
Net sales	$ 160,300	$ 169,765	$ 210,567	$ 251,414
Gross profit	$ 65,622	$ 70,268	$ 91,805	$ 115,793
Net income (1)	$ 18,717	$ 22,276	$ 29,076	$ 34,340
Basic earnings per share	$ 0.42	$ 0.49	$ 0.64	$ 0.75
Diluted earnings per share	$ 0.41	$ 0.48	$ 0.62	$ 0.74
	QUARTER			
FISCAL 2007	First	Second	Third	Fourth
Net sales	$ 121,111	$ 124,257	$ 167,559	$ 206,961
Gross profit	$ 45,503	$ 46,413	$ 70,749	$ 91,873
Net income	$ 12,193	$ 11,792	$ 22,198	$ 29,064
Basic earnings per share	$ 0.27	$ 0.27	$ 0.50	$ 0.65
Diluted earnings per share	$ 0.27	$ 0.25	$ 0.48	$ 0.63

Basic and diluted shares outstanding are computed independently for each of the quarters presented and, therefore, may not sum to the totals for the year.

(1) Results for the third and fourth quarter of fiscal 2008 include other-than-temporary impairment of $1,800 and $3,357 ($1,134 and $2,115 net of tax), respectively, for unrealized losses recorded on certain of the Company's auction-rate and preferred securities.

STOCK PRICES BY QUARTER

The Company's common stock trades on the New York Stock Exchange under the symbol BKE. During fiscal 2008, the Company paid cash dividends of $0.1667 per share in the first and second quarters and $0.20 per share in the third and fourth quarters. In addition, the Company paid a special one-time cash dividend of $2.00 per share in the third quarter of fiscal 2008. During fiscal 2007, cash dividends were $0.1333 per share in the first and second quarters and $0.1667 per share in the third and fourth quarters. During fiscal 2006, cash dividends were $0.0756 per share in the first and second quarters, $0.0889 per share in the third quarter, and $0.1333 per share in the fourth quarter. In addition, the Company paid a special one-time cash dividend of $1.3333 per share in the fourth quarter of fiscal 2006. Dividend amounts prior to the Company's 3-for-2 stock split with a distribution date of January 12, 2007 and 3-for-2 stock split with a distribution date of October 30, 2008 have been adjusted to reflect the impact of these stock splits. The Company plans to continue its quarterly dividends during fiscal 2009.

The number of record holders of the Company's common stock as of March 26, 2009 was 396. Based upon information from the principal market makers, the Company believes there are approximately 4,500 beneficial owners. The closing price of the Company's common stock on March 26, 2009 was $32.31.

The following table lists the Company's quarterly market range for fiscal years 2008, 2007, and 2006, as reported by the New York Stock Exchange, and has been adjusted to reflect the 3-for-2 stock splits, effected in the form of stock dividends, on each of January 12, 2007 and October 30, 2008:

	FISCAL YEARS ENDED					
	January 31, 2009		February 2, 2008		February 3, 2007	
QUARTER	High	Low	High	Low	High	Low
First	$ 33.67	$ 24.72	$ 24.91	$ 21.63	$ 19.11	$ 15.32
Second	$ 35.98	$ 29.03	$ 27.63	$ 22.71	$ 19.26	$ 16.69
Third	$ 44.57	$ 21.08	$ 29.14	$ 21.46	$ 17.78	$ 14.83
Fourth	$ 27.20	$ 13.57	$ 28.90	$ 20.03	$ 24.43	$ 16.83

CORPORATE INFORMATION

DATE FOUNDED
1948

NUMBER OF EMPLOYEES
8,200

STOCK TRANSFER AGENT AND REGISTRAR
Computershare Trust Company, N.A.
P.O. Box 43023
Providence, RI 02940-3023
(800) 884-4225

STOCK EXCHANGE LISTING
New York Stock Exchange, Trading Symbol: BKE

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
Deloitte & Touche LLP
Omaha, Nebraska

ANNUAL MEETING
The Annual Meeting of Shareholders is scheduled for 10:00 am. CDT Friday, May 29, 2009 in Kearney, Nebraska

FORM 10-K
A copy of the form 10-K is available to shareholders without charge upon written request to:
Karen B. Rhoads
Vice President of Finance
The Buckle, Inc.
P.O. Box 1480
Kearney, Nebraska 68848-1480

TRADEMARKS
BUCKLE, THE BUCKLE, RECLAIM, and BKE are trademarks of The Buckle, Inc., which is registered in the United States

BOARD OF DIRECTORS

Daniel J. Hirschfeld
Chairman of the Board

Dennis H. Nelson
President
and Chief Executive Officer

Karen B. Rhoads
Vice President of Finance, Treasurer,
and Chief Financial Officer

James E. Shada

John P. Peetz, III
Executive Vice President
and Chief Operating Officer,
Crete Carrier Corporation

Bill L. Fairfield
Chief Executive Officer, infoGROUP
and Director, MSI, Inc.

Ralph M. Tysdal

Robert E. Campbell
President and Operating Manager, Miller & Paine, LLC
and Director of Development, Madonna Foundation

Bruce L. Hoberman
Chief Executive Officer, Proxibid, Inc.
and Director, MSI, Inc.

David A. Roehr
Business Consultant

EXECUTIVE OFFICERS

Dennis H. Nelson
President
and Chief Executive Officer

Karen B. Rhoads
Vice President of Finance, Treasurer,
and Chief Financial Officer

Kari G. Smith
Vice President of Sales

Brett P. Milkie
Vice President of Leasing

Patricia K. Whisler
Vice President of Women's Merchandising

Robert M. Carlberg
Vice President of Men's Merchandising

Kyle L. Hanson
Corporate Secretary and General Counsel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