UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q/A

(Amendment No.1)

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 31, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to

Commission file number 1-14035

Stage Stores, Inc.

(Exact name of registrant as specified in its charter)

NEVADA	**91-1826900**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identifications No.)
10201 Main Street, Houston, Texas	**77025**
(Address of principal executive offices)	(Zip Code)

(800) 579-2302
Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☑ No ☐

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☑ No ☐

As of August 26, 2004, there were 17,809,184 shares of the registrant's common stock outstanding.

EXPLANATORY NOTE

As previously disclosed in the Company's Current Report on Form 8-K on March 17, 2005, the Audit Committee of Stage Stores, Inc. (the "Company") concluded to restate the Company's financial statements presented in its previously filed Form 10-K for the years ended January 31, 2004 and February 1, 2003 and the twenty-two weeks ended February 2, 2002 and in its previously filed Form 10-Q's for the first three quarters of the 2004 fiscal year.

The Company determined that certain of its lease accounting practices were not in accordance with accounting principles generally accepted in the United States of America, as expressed by the Office of the Chief Accountant of the Securities and Exchange Commission (the "SEC") on February 7, 2005. Historically, consistent with common retail industry practice, the Company recorded rent expense on a straight-line basis over the initial non-cancelable lease term, with the term commencing when rent payments began. Rent payments typically began on the store opening date, which had the effect of excluding the build-out period (or rent holiday period) from the calculation of the rent period. Additionally, consistent with common retail industry practice, the Company depreciated leasehold improvements over the lesser of the estimated useful life of the leasehold improvements or the term of the lease, including available lease renewal option periods, not to exceed fifteen years. Lastly, consistent with common retail industry practice, when accounting for landlord/tenant incentives ("construction allowances"), the Company recorded these construction allowances as a reduction in leasehold improvements on its balance sheet and as a reduction in capital expenditures on its statement of cash flows.

The Company revised its policy in order to correct its historical practices and now will: depreciate leasehold improvements for stores over the lesser of the estimated useful life of the leasehold improvements or the primary term of the lease, which is typically ten years for new and relocated stores, including applicable available lease renewal option periods, where appropriate; record rent expense on a straight-line basis over the lease term, and where appropriate, applicable available lease renewal option periods; record construction allowances received from landlords as a deferred rent credit or a finance lease obligation, as appropriate, on its balance sheet and as an operating or financing activity, as appropriate, on its statement of cash flows; and amortize the deferred rent credit over the related lease term, commencing with the date the Company earns the construction allowance, as a reduction of rent expense.

While infrequent in occurrence, occasionally the Company is responsible for the construction of leased stores and for paying project costs. Emerging Issues Task Force ("EITF") Issue 97-10, *"The Effect of Lessee Involvement in Asset Construction,"* requires the Company to be considered the owner (for accounting purposes) of this type of project during the construction period. Such leases are accounted for as finance lease obligations with the amounts received from the landlord being recorded in debt obligations. Interest expense is recognized at a rate that will amortize the finance lease obligation over the initial term of the lease. All of the above changes resulted in lower rent expense and higher depreciation and interest expense. This Form 10-Q/A gives the effect to the Company's revised policies.

This Amendment No. 1 on Form 10-Q/A ("Form 10-Q/A") to the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2004, initially filed with the SEC on August 27, 2004 (the "Original Filing"), is being filed to reflect restatements of the Company's consolidated balance sheets at July 31, 2004 and January 31, 2004, and the related consolidated statements of income, stockholders' equity and cash flows for the quarters ended July 31, 2004 and August 2, 2003 and the notes related thereto. For a more detailed description of these restatements, see Note 2, "Restatement of Financial Statements," to the accompanying consolidated financial statements and the section entitled "Restatement" in Management's Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-Q/A.

For the convenience of the reader, this Form 10-Q/A sets forth the Original Filing in its entirety. However, this Form 10-Q/A only amends and restates Items 1, 2 and 4 of Part I of the Original Filing, in each case, solely as a result of, and to reflect the restatement, and no other information in the Original Filing is amended hereby. The foregoing items have not been updated to reflect other events occurring after the Original Filing or to modify or update those disclosures affected by subsequent events. In addition, Item 6 of

Part II of the Original Filing has been amended to currently date the certifications of the Company's Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications of the Company's Chief Executive Officer and Chief Financial Officer are attached to this Form 10-Q/A as exhibits 31.1, 31.2 and 32, respectively.

Except for the foregoing amended information, this Form 10-Q/A continues to describe conditions as of the date of the Original Filing, the Company has not updated the disclosures contained herein to reflect subsequent events that occurred at a later date. Other events occurring after the filing of the Original Filing or other disclosures necessary to reflect subsequent events have been or will be addressed in the Company's amended Quarterly Reports on Form 10-Q/A for the quarterly periods ended October 30, 2004 will be filed subsequent to the filing of this Form 10-Q/A and any reports filed with the SEC subsequent to the date of this filing.

The Company has not amended and does not intend to amend its previously-filed Annual Reports on Form 10-K or its Quarterly Reports on Form 10-Q for the periods affected by the restatement that ended prior to January 31, 2004. For this reason, the consolidated financial statements, auditors' reports and related financial information for the affected periods contained in those reports should no longer be relied upon.

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References to a particular year are to Stage Stores, Inc.'s fiscal year, which is the 52 or 53 week period ending on the Saturday closest to January 31st of the following calendar year. For example, a reference to "2003" is a reference to the fiscal year ended January 31, 2004 and a reference to "2004" is a reference to the fiscal year ending January 29, 2005. Fiscal years 2003 and 2004 consist of 52 weeks.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Stage Stores, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except par values)
(unaudited)

	July 31, 2004 *	January 31, 2004
ASSETS		
Cash and cash equivalents	$ 17,367	$ 14,733
Accounts receivable	-	35,112
Merchandise inventories, net	286,988	259,687
Current deferred tax assets	24,897	27,701
Prepaid expenses and other current assets	19,840	26,071
Total current assets	349,092	363,304
Property, equipment and leasehold improvements, net	198,710	200,802
Goodwill	80,054	80,054
Intangible asset	14,910	14,910
Other long-term assets	10,962	10,021
Total assets	$ 653,728	$ 669,091
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 70,766	$ 75,685
Income taxes payable	8,989	2,598
Current portion of debt obligations	176	400
Accrued expenses and other current liabilities	55,958	54,083
Total current liabilities	135,889	132,766
Debt obligations	19,951	12,719
Deferred taxes	11,473	12,442
Other long-term liabilities	41,601	40,826
Total liabilities	208,914	198,753
Commitments and contingencies		
Common stock, par value $0.01, 50,000 shares authorized, 20,868 and 20,579 shares issued, respectively	209	206
Additional paid-in capital	382,300	374,645
Less treasury stock - at cost, 2,947 and 1,414 shares, respectively	(90,187)	(33,127)
Retained earnings	152,492	128,614
Stockholders' equity	444,814	470,338
Total liabilities and stockholders' equity	$ 653,728	$ 669,091

* As restated, see Note 2.

The accompanying notes are an integral part of this statement.

Stage Stores, Inc.
Condensed Consolidated Statements of Income
(in thousands, except earnings per share)
(unaudited)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 31, 2004 *	August 2, 2003 *	July 31, 2004 *	August 2, 2003 *
Net sales	$ 279,872	$ 207,721	$ 569,530	$ 405,708
Cost of sales and related buying, occupancy and distribution expenses	207,210	149,641	400,404	285,329
Gross profit	72,662	58,080	169,126	120,379
Selling, general and administrative expenses	63,359	43,303	129,672	83,818
Store opening costs	155	433	496	1,083
Interest, net of income of $0 and $27 for the thirteen weeks and $13 and $65 for the twenty-six weeks, respectively	581	411	1,057	808
Income before income tax	8,567	13,933	37,901	34,670
Income tax expense	3,170	5,086	14,023	12,655
Net income	$ 5,397	$ 8,847	$ 23,878	$ 22,015
Basic earnings per share data:				
Basic earnings per share	$ 0.30	$ 0.47	$ 1.29	$ 1.17
Basic weighted average shares outstanding	18,194	18,905	18,559	18,891
Diluted earnings per share data:				
Diluted earnings per share	$ 0.27	$ 0.44	$ 1.17	$ 1.11
Diluted weighted average shares outstanding	20,016	20,048	20,381	19,800

* As restated, see Note 2.

The accompanying notes are an integral part of this statement.

Stage Stores, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Twenty-Six Weeks Ended July 31, 2004 *	Twenty-Six Weeks Ended August 2, 2003 *
Cash flows from operating activities:		
Net income	$ 23,878	$ 22,015
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,414	11,158
Amortization of debt issue costs	223	667
Deferred stock compensation	115	-
Provision for bad debts	311	13,943
Deferred income taxes	1,834	2,946
Proceeds from sale of private label credit card portfolio, net	34,764	-
Construction allowance received from landlords	979	2,195
Changes in operating assets and liabilities:		
Decrease in accounts receivable and retained interest in receivables sold	3,537	33,303
Increase in merchandise inventories	(27,301)	(11,904)
Decrease in other assets	4,996	230
Increase (decrease) in accounts payable and other liabilities	2,726	(3,623)
Total adjustments	39,598	48,915
Net cash provided by operating activities	63,476	70,930
Cash flows from investing activities:		
Additions to property, equipment and leasehold improvements	(15,251)	(14,873)
Net cash used in investing activities	(15,251)	(14,873)
Cash flows from financing activities:		
Proceeds from (payments on):		
Revolving credit facility, net	7,790	-
Repurchases of common stock	(57,060)	-
Debt obligations	(782)	(200)
Repurchases of accounts receivable from accounts receivable trust	-	(57,000)
Exercise of stock options proceeds	4,461	740
Net cash used in financing activities	(45,591)	(56,460)
Net increase (decrease) in cash and cash equivalents	2,634	(403)
Cash and cash equivalents:		
Beginning of period	14,733	20,886
End of period	$ 17,367	$ 20,483
Supplemental disclosures:		
Interest paid	$ 716	$ 463
Income taxes paid	$ 3,176	$ 3,286

* As restated, see Note 2.

The accompanying notes are an integral part of this statement.

Stage Stores, Inc.
Condensed Consolidated Statements of Stockholders' Equity
For the Twenty-Six Weeks Ended July 31, 2004
(in thousands)
(unaudited)

	Common Stock		Additional Paid-in	Treasury Stock		Retained	
	Shares	Amount	Capital	Shares	Amount	Earnings	Total
Balance, January 31, 2004	20,579	$ 206	$ 374,645	(1,414)	$(33,127)	$128,614	$ 470,338
Net income	-	-	-	-	-	23,878	23,878
Repurchases of common stock	-	-	-	(1,533)	(57,060)	-	(57,060)
Deferred compensation	-	-	115	-	-	-	115
Stock options exercised, including tax benefit	289	3	7,540	-	-	-	7,543
Balance, July 31, 2004 *	20,868	$ 209	$ 382,300	(2,947)	$(90,187)	$152,492	$ 444,814

* As restated, see Note 2.

The accompanying notes are an integral part of this statement.

Stage Stores, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements - (As Restated, See Note 2)
(Unaudited)

1. Basis of Presentation

The accompanying Unaudited Condensed Consolidated Financial Statements of Stage Stores, Inc. ("Stage Stores" or the "Company") have been prepared in accordance with Rule 10-01 of Regulation S-X and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. Those adjustments that are, in the opinion of management, necessary for a fair presentation of the results of the interim periods have been made. The results of operations for such interim periods are not necessarily indicative of the results of operations for a full year. The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Audited Consolidated Financial Statements and notes thereto filed with Stage Stores' Annual Report on Form 10-K/A for the year ended January 31, 2004. References to a particular year are to Stage Stores' fiscal year, which is the 52 or 53 week period ending on the Saturday closest to January 31st of the following calendar year. For example, a reference to "2003" is a reference to the fiscal year ended January 31, 2004 and a reference to "2004" is a reference to the fiscal year ending January 29, 2005.

Stage Stores, through its wholly-owned subsidiaries Specialty Retailers (TX) LP and SRI Limited Partner LLC, operates family apparel stores under the Stage, Bealls and Palais Royal names throughout the South Central states, and under the Peebles name throughout the Mid-Atlantic, Southeastern and Midwestern states. The Company offers moderately priced nationally recognized brand name and private label apparel, accessories, cosmetics and footwear for the entire family. As of July 31, 2004, the Company operated 516 stores in 27 states.

2. Restatement of Financial Statements

As previously disclosed in the Company's Current Report on Form 8-K on March 17, 2005, the Audit Committee of Stage Stores, Inc. (the "Company") concluded to restate the Company's financial statements presented in its previously filed Form 10-K for the years ended January 31, 2004 and February 1, 2003 and the twenty-two weeks ended February 2, 2002 and in its previously filed Form 10-Q's for the first three quarters of the 2004 fiscal year.

The Company determined that certain of its lease accounting practices were not in accordance with accounting principles generally accepted in the United States of America, as expressed by the Office of the Chief Accountant of the Securities and Exchange Commission (the "SEC") on February 7, 2005. Historically, consistent with common retail industry practice, the Company recorded rent expense on a straight-line basis over the initial non-cancelable lease term, with the term commencing when rent payments began. Rent payments typically began on the store opening date, which had the effect of excluding the build-out period (or rent holiday period) from the calculation of the rent period. Additionally, consistent with common retail industry practice, the Company depreciated leasehold improvements over the lesser of the estimated useful life of the leasehold improvements or the term of the lease, including available lease renewal option periods, not to exceed fifteen years. Lastly, consistent with common retail industry practice, when accounting for landlord/tenant incentives ("construction allowances"), the Company recorded these construction allowances as a reduction in leasehold improvements on its balance sheet and as a reduction in capital expenditures on its statement of cash flows.

The Company revised its policy in order to correct its historical practices and now will: depreciate leasehold improvements for stores over the lesser of the estimated useful life of the leasehold improvements or the primary term of the lease, which is typically ten years for new and relocated stores, including applicable available lease renewal option periods, where appropriate; record rent expense on a straight-line basis over the lease term, and where appropriate, applicable available lease renewal option periods; record construction allowances received from landlords as a deferred rent credit or a finance lease obligation, as appropriate, on its balance sheet and as an operating or financing activity, as appropriate, on its statement of cash flows; and amortize the deferred rent credit over the related lease term, commencing with the date the Company earns the construction allowance, as a reduction of rent expense.

While infrequent in occurrence, occasionally the Company is responsible for the construction of leased stores and for paying project costs. Emerging Issues Task Force ("EITF") Issue 97-10, *"The Effect of Lessee Involvement in Asset Construction,"* requires the Company to be considered the owner (for accounting purposes) of this type of project during the construction period. Such leases are accounted for as finance lease obligations with the amounts received from the landlord being recorded in debt obligations. Interest expense is recognized at a rate that will amortize the finance lease obligation over the initial term of the lease. All of the above changes resulted in lower rent expense and higher depreciation and interest expense. This Form 10-Q/A gives the effect to the Company's revised policies.

The impact of the corrections on the Company's condensed consolidated statements of income is a reduction of net income of $1.0 million, or $0.05 per diluted share, and $0.5 million, or $.03 per diluted share, for the twenty-six weeks ended July 31, 2004 and August 2, 2004, respectively.

The cumulative impact of the corrections on the Company's July 31, 2004 condensed consolidated balance sheet is an increase in property, equipment and leasehold improvements of $9.2 million, an increase in deferred rent of $13.6 million, a decrease in deferred tax liability of $2.2 million, an increase in finance lease obligation of $1.5 million and a decrease in retained earnings of $3.7 million.

The impact of the corrections on the Company's condensed consolidated statements of cash flows for the twenty-six weeks ended July 31, 2004 and August 2, 2003 is to increase "net cash provided by operating activities" by $1.0 million and $2.2 million, respectively, and to decrease "net cash used in investing activities" by $1.0 million and $2.2 million, respectively.

The consolidated financial statements included in this Form 10-Q/A have been restated to reflect the corrections to the Company's accounting policies described above.

The following is a summary of the impact of the restatement on (i) the Company's condensed consolidated balance sheets at July 31, 2004, (ii) the Company's condensed consolidated statements of income for the thirteen and twenty-six weeks ended July 31, 2004 and August 2, 2003 and (iii) the Company's condensed consolidated statement of cash flows for the twenty-six weeks ended July 31, 2004 and August 2, 2003.

July 31, 2004	As Previously Reported	Adjustments	As Restated
Condensed Consolidated Balance Sheet			
Property, equipment, and leasehold improvements, net	$ 189,514	$ 9,196	$ 198,710
Total assets	644,532	9,196	653,728
Current portion of debt obligations	150	26	176
Debt obligations	18,490	1,461	19,951
Other long-term liabilities	28,032	13,569	41,601
Deferred taxes	13,628	(2,155)	11,473
Total liabilities	196,013	12,901	208,914
Retained earnings	156,197	(3,705)	152,492
Stockholders' equity	448,519	(3,705)	444,814
Total liabilities and stockholders' equity	$ 644,532	$ 9,196	$ 653,728

Thirteen weeks ended July 31, 2004	As Previously Reported	Adjustments	As Restated
Condensed Consolidated Statement of Income			
Cost of sales and related buying, occupancy and distribution expenses	$ 206,559	$ 651	$ 207,210
Gross profit	73,313	(651)	72,662
Store opening costs	27	128	155
Interest expense, net	518	63	581
Income before income tax	9,409	(842)	8,567
Income tax expense	3,481	(311)	3,170
Net income	$ 5,928	$ (531)	$ 5,397
Basic and diluted earnings per share:			
Basic earnings per share	$ 0.33	$ (0.03)	$ 0.30
Diluted earnings per share	$ 0.30	$ (0.03)	$ 0.27

Thirteen weeks ended August 2, 2003	As Previously Reported	Adjustments	As Restated
Condensed Consolidated Statement of Income			
Cost of sales and related buying, occupancy and distribution expenses	$ 149,397	$ 244	$ 149,641
Gross profit	58,324	(244)	58,080
Store opening costs	247	186	433
Income before income tax	14,363	(430)	13,933
Income tax expense	5,243	(157)	5,086
Net income	$ 9,120	$ (273)	$ 8,847
Basic and diluted earnings per share:			
Basic earnings per share	$ 0.48	$ (0.01)	$ 0.47
Diluted earnings per share	$ 0.45	$ (0.01)	$ 0.44

Twenty-six weeks ended July 31, 2004	As Previously Reported	Adjustments	As Restated
Condensed Consolidated Statement of Income			
Cost of sales and related buying, occupancy and distribution expenses	$ 399,147	$ 1,257	$ 400,404
Gross profit	170,383	(1,257)	169,126
Store opening costs	341	155	496
Interest expense, net	931	126	1,057
Income before income tax	39,439	(1,538)	37,901
Income tax expense	14,592	(569)	14,023
Net income	$ 24,847	$ (969)	$ 23,878
Basic and diluted earnings per share:			
Basic earnings per share	$ 1.34	$ (0.05)	$ 1.29
Diluted earnings per share	$ 1.22	$ (0.05)	$ 1.17

Twenty-six weeks ended August 2, 2003	As Previously Reported	Adjustments	As Restated
Condensed Consolidated Statement of Income			
Cost of sales and related buying, occupancy and distribution expenses	$ 284,883	$ 446	$ 285,329
Gross profit	120,825	(446)	120,379
Store opening costs	756	327	1,083
Income before income tax	35,443	(773)	34,670
Income tax expense	12,937	(282)	12,655
Net income	$ 22,506	$ (491)	$ 22,015
Basic and diluted earnings per share:			
Basic earnings per share	$ 1.19	$ (0.02)	$ 1.17
Diluted earnings per share	$ 1.14	$ (0.03)	$ 1.11

Twenty-six weeks ended July 31, 2004	As Previously Reported	Adjustments	As Restated
Consolidated Statement of Cash Flows			
Net income	$ 24,847	$ (969)	$ 23,878
Depreciation and amortization	15,787	1,627	17,414
Deferred income taxes	2,403	(569)	1,834
Construction allowance received from landlords	-	979	979
Increase (decrease) in accounts payable and other liabilities	2,806	(80)	2,726
Net cash provided by operating activities	62,488	979	63,467
Additions to property, equipment, and leasehold improvements	(14,272)	(979)	(15,251)
Net cash used in investing activities	(14,272)	(979)	(15,251)
Capital and finance lease obligations	(773)	(9)	(782)
Net cash used in financing activities	$ (45,582)	$ (9)	$ (45,591)

Twenty-six weeks ended August 2, 2003	As Previously Reported	Adjustments	As Restated
Consolidated Statement of Cash Flows			
Net income	$ 22,506	$ (491)	$ 22,015
Depreciation and amortization	10,597	561	11,158
Deferred income taxes	3,228	(282)	2,946
Construction allowance received from landlords	-	2,195	2,195
Increase (decrease) in accounts payable and other liabilities	(3,835)	212	(3,623)
Net cash provided by operating activities	68,735	2,195	70,930
Additions to property, equipment, and leasehold improvements	(12,678)	(2,195)	(14,873)
Net cash used in investing activities	$ (12,678)	$ (2,195)	$ (14,873)

3. Stock-Based Compensation

The Company accounts for stock-based compensation using the intrinsic value method, prescribed in Accounting Principles Board Opinion No. 25, "*Accounting for Stock Issued to Employees*", and related interpretations. No stock-based employee compensation cost related to stock options is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant.

The following table illustrates the effect on net income and earnings per share assuming the Company had applied the fair value recognition provisions as contained in the Statement of Financial Accounting Standards No. 123, "*Accounting for Stock-Based Compensation*", for the grant of stock options (in thousands, except per share amounts):

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 31, 2004	August 2, 2003	July 31, 2004	August 2, 2003
Net income, as reported	$ 5,397	$ 8,847	$ 23,878	$ 22,015
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(682)	(569)	(1,298)	(1,134)
Pro forma net income	$ 4,715	$ 8,278	$ 22,580	$ 20,881
Earnings per share:				
Basic - as reported	$ 0.30	$ 0.47	$ 1.29	$ 1.17
Basic - pro forma	0.26	0.44	1.22	1.11
Diluted - as reported	$ 0.27	$ 0.44	$ 1.17	$ 1.11
Diluted - pro forma	0.24	0.41	1.11	1.05

The following tables provide the significant assumptions used in the determination of the estimated fair value under the Black-Scholes option-pricing model of each option granted through the second quarter of the current and prior year:

	Thirteen Weeks Ended	
	July 31, 2004	August 2, 2003
Expected volatility	27.8-36.0%	40.5-41.5%
Risk free rate	1.94-3.55%	2.03-2.36%
Expected life of options (in years)	3.0-4.0	3.0
Expected dividend yield	0%	0%

4. Deferred Compensation

On June 14, 2004, the Company granted performance shares under the Amended and Restated 2001 Equity Incentive Plan to members of senior management as a means of retaining and rewarding them for long-term performance based on shareholder return performance measures. Under terms of the grant which have a three year cliff vesting, the actual number of shares to be issued at no cost to the grant recipient in exchange for performance shares will be based on the level of attainment, at the end of the three year performance period, of specific shareholder return performance measures. An aggregate target grant of 18,440 shares was made effective February 1, 2004, the start of the Company's 2004 fiscal year. Depending on actual shareholder return performance at the end of the three year performance period, the actual aggregate number of shares that could be issued ranges from zero to a maximum of 36,880. Compensation expense based on the anticipated number of shares of the Company's common stock and the related market value to be awarded at the end of the performance period is being recorded ratably over the performance period based on total shareholder return relative to performance measures through that date. The Company recorded $0.1 million of compensation expense during the three months ended July 31, 2004 related to this grant that is reflected as a component of selling, general, and administrative expense. During the performance period, grant recipients do not have any rights of a shareholder in the Company with respect to common shares issuable under the grant until the shares have been issued.

5. Sale of Peebles' Private Label Credit Card Portfolio

On November 4, 2003, the Company acquired Peebles Inc. ("Peebles"), a privately held, similarly focused retail company headquartered in South Hill, Virginia (the "Acquisition"), which then operated 136 stores in 17 Mid-Atlantic, Southeastern and Midwestern states under the Peebles name. With the Acquisition, the Company also acquired Peebles' private label credit card portfolio. On March 5, 2004, the Company sold this private label credit card portfolio to World Financial Network National Bank (the "Bank"). At closing, the Company received consideration of approximately $34.8 million, which approximated the amount of account balances outstanding at the time of closing. Under the terms of the Amended and Restated Program Agreement dated March 5, 2004, the Company is obligated to reimburse the Bank up to a total of $3.5 million based on the non-attainment of a defined net portfolio yield performance and has recorded this obligation.

6. Debt Obligations

Debt obligations consist of the following (in thousands):

	July 31, 2004	January 31, 2004
Revolving credit facility	$ 18,490	$ 10,700
Capital and finance lease obligations	1,637	2,419
	20,127	13,119
Less: Current portion of debt obligations	176	400
Debt obligations	$ 19,951	$ 12,719

On August 21, 2003, the Company entered into a $175.0 million senior secured revolving credit facility that matures August 21, 2008. On November 4, 2003, in conjunction with the Acquisition, the Company increased the Revolving Credit Facility commitment from $175.0 million to $250.0 million. Borrowings under the Revolving Credit Facility are limited to the availability under a borrowing base that is determined principally on eligible inventory as defined by the Revolving Credit Facility agreement. The daily interest rates under the Revolving Credit Facility are equal to the applicable prime rate or Eurodollar rate plus an applicable margin as set forth in the Revolving Credit Facility agreement. Inventory, accounts receivable, cash and cash equivalents are pledged as collateral under the Revolving Credit Facility. The Revolving Credit Facility is used by the Company to provide financing for working capital, capital expenditures, interest payments and other general corporate purposes, as well as to support its outstanding letters of credit requirements. The outstanding borrowings at July 31, 2004 were $18.5 million. Excess borrowing availability under the Revolving Credit Facility, net of letters of credit outstanding of $27.9 million, was $134.5 million at July 31, 2004. During the first half of 2004, the weighted average interest rate on outstanding borrowings, and the average daily borrowings under the Revolving Credit Facility were 3.1% and $7.2 million, respectively.

The Revolving Credit Facility contains covenants which, among other things, restrict (i) the amount of additional debt or capital lease obligations, (ii) the amount of capital expenditures, payment of dividends and repurchase of common stock under certain circumstances, and (iii) related party transactions. The Company continually monitors its liquidity position and compliance with those covenants. At July 31, 2004, the Company was in compliance with all of the debt covenants of the Revolving Credit Facility.

At July 31, 2004, the Company had one capital lease obligation in the amount of $0.2 million, which is classified as short-term.

While infrequent in occurrence, occasionally the Company is responsible for the construction of leased stores and for paying project costs. EITF Issue 97-10 requires the Company to be considered the owner (for accounting purposes) of this type of project during the construction period. Such leases are accounted for as finance lease obligations with the amounts received from the landlord being recorded in debt obligations. Interest expense is recognized at a rate that will amortize the finance lease obligation over the initial term of the lease. As a result, the Company has recorded approximately $1.5 million as a finance lease obligation with an interest rate of 16.9% on its Consolidated Balance Sheet related to this type of project as of July 31, 2004.

7. Income Taxes

The provision for income taxes is computed based on the pretax income included in the Unaudited Condensed Consolidated Statements of Income. The asset and liability approach is used to recognize deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts for financial reporting purposes and the tax basis of assets and liabilities. The classification of the tax provision between current and deferred taxes on the interim period financials is based on the expected relationship of these classifications on the tax provision for the full fiscal year.

8. Earnings per Share

Basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common shares and all of the potentially dilutive common share equivalents outstanding during the period. Stock options and warrants are the only potentially dilutive share equivalents that the Company has outstanding.

The following table illustrates the components used to determine total diluted shares (in thousands):

	Thirteen weeks ended		Twenty-Six weeks ended	
	July 31, 2004	August 2, 2003	July 31, 2004	August 2, 2003
Basic weighted average shares outstanding	18,194	18,905	18,559	18,891
Effect of dilutive securities:				
Stock options	1,020	792	1,020	667
Warrants	802	351	802	242
Diluted weighted average shares outstanding	20,016	20,048	20,381	19,800

The increase in the number of dilutive securities in each of the current year periods over the prior year periods is primarily due to a higher weighted average market price of the Company's common stock in the current year as compared to the prior year. The weighted average market price for the current and prior year second quarter was $37.11 and $23.59, respectively. The weighted average market price for the twenty-six week current and prior year periods was $37.09 and $21.69, respectively.

The following table illustrates the number of stock options that were outstanding, but not included in the computation of diluted weighted average shares outstanding, because the exercise price of these stock options was greater than the weighted average market price of the Company's common stock for each applicable period.

	Thirteen weeks ended		Twenty-Six weeks ended	
	July 31, 2004	August 2, 2003	July 31, 2004	August 2, 2003
Number of options outstanding	194,700	40,000	194,700	67,500

9. Stock Repurchase Program

On October 1, 2003, the Company's Board of Directors approved a stock repurchase program authorizing the Company to buy, from time to time, up to $50.0 million of its common stock. The $50.0 million Stock Repurchase Program, which was completed during the current year second quarter, was funded by the Company's cash flow and other liquidity sources. In addition, the Company has and expects to continue to repurchase its outstanding stock from time to time using the proceeds that it receives from the exercise of employee stock options under its Amended and Restated 2001 Equity Incentive Plan, including the tax benefits that accrue to the Company from the exercise of these options, as well as proceeds that it receives from the exercise of its outstanding warrants. The Company has purchased 1,533,256 shares of its common stock, at a cost of approximately $57.1 million during the twenty-six weeks ended July 31, 2004. At July 31, 2004, approximately $4.2 million was available to the Company for stock repurchase, of which the entire amount relates to proceeds from stock option exercises.

10. Retirement Plans

The Company sponsors two defined benefit plans. One was frozen effective June 30, 1998, and the other was closed to new participants at February 1, 1998 (the "Retirement Plans"). Information regarding the Retirement Plans is as follows (in thousands):

Components of Net Periodic Pension Costs

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 31, 2004	August 2, 2003	July 31, 2004	August 2, 2003
Service cost	$ 14	$ -	$ 28	$ -
Interest cost	557	535	1,114	1,070
Expected return on plan assets	(550)	(451)	(1,100)	(902)
Net loss amortization	-	2	-	4
Net periodic pension cost	$ 21	$ 86	$ 42	$ 172

Employer Contribution

The Company expects to contribute approximately $2.0 million to its Retirement Plans in 2004. As of July 31, 2004, $1.4 million of contributions have been made, of which $0.8 million was contributed during the second quarter.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – RESTATED

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

Certain statements in this Form 10-Q/A contain or may contain forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, the ability of the Company and its subsidiaries to maintain normal trade terms with vendors, the ability of the Company and its subsidiaries to comply with the various covenant requirements contained in the Company's Revolving Credit Facility (as defined below), the demand for apparel and other factors. The demand for apparel and sales volume can be affected by an economic downturn, a decline in consumer confidence, unusual weather patterns, an increase in the level of competition in the Company's market areas, competitors' marketing strategies, changes in fashion trends, changes in the average cost of merchandise purchased for resale, availability of product on normal payment terms and the failure to achieve the expected results of the Company's merchandising and marketing plans as well as its store opening plans. The occurrence of any of the above could have a material and adverse impact on the Company's operating results. Most of these factors are difficult to predict accurately and are generally beyond the Company's control. Readers should consider the areas of risk described in the Company's Annual Report on Form 10-K/A for the year ended January 31, 2004 (the "Form 10-K/A"). Readers should carefully review the Form 10-K/A in its entirety including, but not limited to, the Company's financial statements and the notes thereto and the risks described under "Risk Factors" in Item 1 of the Form 10-K/A. Except for the Company's ongoing obligations to disclose material information under the federal securities laws, the Company undertakes no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. For any forward-looking statements contained in any document, the Company claims the protection of the safe harbor provisions for forward-looking statements as contained in the Private Securities Litigation Reform Act of 1995.

Restatement

As previously disclosed in the Company's Current Report on Form 8-K on March 17, 2005, the Audit Committee of Stage Stores, Inc. (the "Company") concluded to restate the Company's financial statements presented in its previously filed Form 10-K for the years ended January 31, 2004 and February 1, 2003 and the twenty-two weeks ended February 2, 2002 and in its previously filed Form 10-Q's for the first three quarters of the 2004 fiscal year.

The Company determined that certain of its lease accounting practices were not in accordance with accounting principles generally accepted in the United States of America, as expressed by the Office of the Chief Accountant of the Securities and Exchange Commission (the "SEC") on February 7, 2005. Historically, consistent with common retail industry practice, the Company recorded rent expense on a straight-line basis over the initial non-cancelable lease term, with the term commencing when rent payments began. Rent payments typically began on the store opening date, which had the effect of excluding the build-out period (or rent holiday period) from the calculation of the rent period. Additionally, consistent with common retail industry practice, the Company depreciated leasehold improvements over the lesser of the estimated useful life of the leasehold improvements or the term of the lease, including available lease renewal option periods, not to exceed fifteen years. Lastly, consistent with common retail industry practice, when accounting for landlord/tenant incentives ("construction allowances"), the Company recorded these construction allowances as a reduction in leasehold improvements on its balance sheet and as a reduction in capital expenditures on its statement of cash flows.

The Company revised its policy in order to correct its historical practices and now will: depreciate leasehold improvements for stores over the lesser of the estimated useful life of the leasehold improvements or the primary term of the lease, which is typically ten years for new and relocated stores, including applicable available lease renewal option periods, where appropriate; record rent expense on a straight-line basis over the lease term, and where appropriate, applicable available lease renewal option periods; record construction allowances received from landlords as a deferred rent credit or a finance lease obligation, as appropriate, on its balance sheet and as an operating or financing activity, as appropriate, on its statement of cash flows; and amortize the deferred rent credit over the related lease term, commencing with the date the Company earns the construction allowance, as a reduction of rent expense.

While infrequent in occurrence, occasionally the Company is responsible for the construction of leased stores and for paying project costs. Emerging Issues Task Force ("EITF") Issue 97-10, *"The Effect of Lessee Involvement in Asset Construction,"* requires the Company to be considered the owner (for accounting purposes) of this type of project during the construction period. Such leases are accounted for as finance lease obligations with the amounts received from the landlord being recorded in debt obligations. Interest expense is recognized at a rate that will amortize the finance lease obligation over the initial term of the lease. All of the above changes resulted in lower rent expense and higher depreciation and interest expense. This Form 10-Q/A gives the effect to the Company's revised policies.

The impact of the corrections on the Company's condensed consolidated statements of income is a reduction of net income of $1.0 million, or $0.05 per diluted share, and $0.5 million, or $.03 per diluted share, for the twenty-six weeks ended July 31, 2004 and August 2, 2004, respectively.

The cumulative impact of the corrections on the Company's July 31, 2004 condensed consolidated balance sheet is an increase in property, equipment and leasehold improvements of $9.2 million, an increase in deferred rent of $13.6 million, a decrease in deferred tax liability of $2.2 million, an increase in finance lease obligation of $1.5 million and a decrease in retained earnings of $3.7 million.

The impact of the corrections on the Company’s condensed consolidated statements of cash flows for the twenty-six weeks ended July 31, 2004 and August 2, 2003 is to increase “net cash provided by operating activities” by $1.0 million and $2.2 million, respectively, and to decrease “net cash used in investing activities” by $1.0 million and $2.2 million, respectively.

The consolidated financial statements included in this Form 10-Q/A have been restated to reflect the corrections to the Company’s accounting policies described above.

Management’s Discussion and Analysis of Financial Condition and Results of Operations has been revised for the effects of the restatement. See Note 2 to the condensed consolidated financial statements.

General

Stage Stores is a Houston, Texas-based regional, specialty department store retailer offering moderately priced, nationally recognized brand name and private label apparel, accessories, cosmetics and footwear for the entire family. As of July 31, 2004, the Company operated 516 stores located in 27 states. The Company operates under the Stage, Bealls and Palais Royal names throughout the South Central states, and under the Peebles name throughout the Mid-Atlantic, Southeastern and Midwestern states. The Company's principal focus is on consumers in small and mid-size markets which the Company believes are under-served and less competitive. The Company believes that it is able to differentiate itself from the competition in the small and mid-size markets in which it operates by offering consumers access to basic as well as fashionable, brand name merchandise not typically carried by other retailers in the same market area. In the highly competitive metropolitan markets in which it operates, the Company competes against national department store chains, which similarly offer moderately priced, brand name and private label merchandise. As a way of differentiating itself from the competition in these larger markets, the Company offers consumers a high level of customer service in convenient locations.

During 2003, the Company made the strategic decision to sell the Stage private label credit card portfolio. On September 12, 2003, the Company sold the Stage portfolio of private label credit card accounts, as well as other assets related to its private label credit card program, to World Financial Network National Bank (the "Bank”) and ADS Alliance Data Systems, Inc., subsidiaries of Alliance Data Systems Corporation, and realized proceeds of approximately $172.0 million, which included prepaid marketing funds.

On November 4, 2003, the Company redeployed the proceeds from the sale of its private label credit card portfolio and acquired Peebles Inc. ("Peebles"), a privately held, similarly focused retail company headquartered in South Hill, Virginia (the “Acquisition”). The purchase price paid for Peebles Inc. was $174.6 million, including acquisition costs and net of cash acquired and debt assumed. The Acquisition has been accounted for under the purchase method of accounting, and accordingly, the results of operations of Peebles have been included in the Company’s consolidated financial statements from the date of acquisition. In order to maximize the potential of the Acquisition, the Company has maintained the highly recognizable Peebles name on the stores, and key members of Peebles management team are continuing in their same capacities in South Hill. With the addition of Peebles, the Company believes that it has strengthened its position as one of the leading retailers of branded family apparel in small town America. The Company further believes that the Acquisition creates new opportunities for unit growth and geographical expansion and improves its competitive position.

As a result of the above transactions, the Company's current year results include the sales and earnings contribution from the acquired Peebles stores, but do not include any net credit income. Conversely, the Company's prior year results include net credit income, which was treated as a reduction to selling, general and administrative expense, but had no sales and earnings contribution from the acquired Peebles stores.

The financial information, discussion and analysis that follow should be read in conjunction with the Company's Consolidated Financial Statements as included in the Form 10-K/A.

Results of Operations

The following table sets forth the results of operations as a percentage of sales for the periods indicated:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 31, 2004	August 2, 2003	July 31, 2004	August 2, 2003
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales and related buying, occupancy and distribution expenses	74.1	72.0	70.3	70.3
Gross profit margin	25.9	28.0	29.7	29.7
Selling, general and administrative expenses	22.6	20.8	22.8	20.7
Store opening costs	0.1	0.2	0.1	0.3
Interest, net	0.2	0.2	0.2	0.2
Income before income tax *	3.1	6.7	6.6	8.5
Income tax expense	1.1	2.4	2.5	3.1
Net income *	1.9 %	4.3 %	4.2 %	5.4 %

* Total may not foot due to rounding

Thirteen Weeks Ended July 31, 2004 Compared to Thirteen Weeks Ended August 2, 2003

Sales for the thirteen weeks ended July 31, 2004 (the “current year second quarter”) increased 34.8% to $279.9 million from $207.7 million for the thirteen weeks ended August 2, 2003 (the “prior year second quarter”). The increase in total sales is almost entirely due to the inclusion of the Peebles stores, which contributed sales of $72.1 million in the current year second quarter. Comparable store sales, which include comparable store sales for the Peebles stores in both periods, decreased 3.2% as compared to a 2.4% decrease in the prior year second quarter. These comparable store sales decreases in the current year second quarter were offset by the 14 net new stores opened since the end of the prior year second quarter. In the current year second quarter, sales were negatively impacted by unseasonably cooler weather and inclement conditions that occurred in May and June in the Company's key market areas. In addition, sales in the current year second quarter were negatively impacted by the calendar shift in the Texas sales tax holiday weekend to the third quarter in 2004, which resulted in a sales loss of approximately $8.0 million as compared to the prior year second quarter. Conversely, sales in the third quarter of 2004 should benefit from this calendar shift. The Company responded to these circumstances by aggressively promoting its full price and clearance products, by holding store-wide sales events and by increasing the level of markdowns.

For the current year second quarter, the Company achieved comparable store sales increases in its special sizes, misses sportswear, men's and accessories departments as compared to the prior year second quarter. The Company had comparable store sales declines in all of its other departments. By market, the Company experienced the strongest sales performance as compared to the prior year second quarter in its smaller markets, which the Company defines as those markets with population within a 10-mile radius of the stores of less than 50,000 people.

Gross profit increased 25.0% to $72.6 million for the current year second quarter from $58.1 million for the prior year second quarter. Gross profit, as a percent of sales, decreased to 25.9% for the current year second quarter from 28.0% for the prior year second quarter. The following is a summary of the changes between the current year second quarter and the prior year second quarter in the components of cost of sales, expressed as a percent of sales:

Cost Component	Increase (decrease) Quarter 2 2004	
Merchandise cost of sales	1.7	%
Shrink expense	(0.4)	
Buying, occupancy and distribution expenses	0.7	
Total cost of sales, and related buying, occupancy and distribution expenses	2.0	%

Gross profit during the current year second quarter was negatively impacted by the Company's increased level of markdowns to stimulate sales and a higher mix of clearance sales, which resulted in lower maintained merchandise margins, as well as higher aggregate buying, occupancy and distribution expenses, which are included in cost of sales. These negative variances were offset somewhat by lower shrink expense. The increase in buying, occupancy, and distribution expenses was principally driven by higher store occupancy costs associated with higher rent and incremental depreciation expense, associated with the inclusion of the Peebles stores in 2004 and the 14 net new stores that have been added since the end of the prior year second quarter. Approximately one half of the 0.7% rate increase in buying, occupancy and distribution components of cost of goods is reflective of the $8.0 million loss in sales versus the prior year second quarter due to the calendar shift in the Texas sales tax holiday weekend, thus creating a loss of leverage of these fixed costs.

Selling, general and administrative ("SG&A") expenses for the current year second quarter increased 46.3% to $63.4 million from $43.3 million in the prior year second quarter and, as a percent of sales, increased to 22.6% from 20.8% in the comparable period last year. SG&A expenses for the current year second quarter increased from the prior year second quarter primarily as a result of the increase in the number of stores in operation in the current year second quarter, including the acquired Peebles stores, and the fact that there was no Net Credit Income (as defined below) from the Company's private label credit card program in the current year second quarter as compared to the prior year second quarter. SG&A expenses in the prior year second quarter included, as an offset to SG&A expenses, the net income contribution from Stage's private label credit card program prior to its sale on September 12, 2003, which included service charge and late fee income, operating expenses incurred by the Company in origination of credit, customer service and collection activities, interest expense on securitization facility borrowings and certain other items (collectively "Net Credit Income"). Net Credit Income in the prior year second quarter was $4.4 million, or 2.1% of sales. SG&A expenses in the prior year second quarter, excluding the $4.4 million of Net Credit Income, would have been $47.7 million, or 22.9% of sales. As compared to the adjusted rate of 22.9% for the prior year second quarter, the current year second quarter's rate of 22.6% represents an improvement of 0.3%. The improvement is primarily due to a decrease in incentive compensation expense in the current year second quarter, which is reflective of a shortfall in the Company's operating results relative to targets established for the current year.

Store opening costs in the current year second quarter were $0.2 million as compared to $0.4 million in the prior year second quarter where the Company opened four new stores.

Net interest expense was $0.5 million in the current year second quarter as compared to $0.4 million in the prior year second quarter. The Company's primary source of funding is its Revolving Credit Facility, as discussed in "Liquidity and Capital Resources".

The Company's effective tax rate in 2004 is estimated to be 37%, resulting in income tax expense of $3.2 million in the current year second quarter, as compared to income tax expense of $5.1 million in the prior year second quarter, during which its effective tax rate was 36.5%.

As a result of the foregoing, the Company had net income of $5.4 million for the current year second quarter as compared to net income of $8.8 million for the prior year second quarter, a decrease of 38.6%.

Twenty-Six Weeks Ended July 31, 2004 Compared to Twenty-Six Weeks Ended August 2, 2003

Sales for the twenty-six weeks ended July 31, 2004 (the "current year") increased 40.4% to $569.5 million from $405.7 million for the twenty-six weeks ended August 2, 2003 (the "prior year"). Comparable store sales, which include comparable store sales for the Peebles stores in both years, increased 0.6% in the current year as compared to a 4.6% decrease in the prior year. The increase in total sales primarily reflects the impact of sales from the Peebles stores, which contributed $142.5 million for the current year, as well as the 14 net new stores opened since the end of the prior year second quarter.

For the current year, the Company achieved the largest comparable store sales increases in its special sizes, misses sportswear, men's, shoes, cosmetics and accessories departments. On a market population basis, the Company achieved overall comparable store sales increases during the current year in its smaller markets.

Gross profit increased 40.4% to $169.0 million for the current year from $120.4 million for the prior year. Gross profit, as a percent of sales, remained at 29.7% for the current year, consistent with the prior year. The following is a summary of the changes between the current year and the prior year in the components of cost of sales, expressed as a percent of sales:

Cost Component	Increase (decrease) YTD 2004	
Merchandise cost of sales	(0.3)	%
Shrink expense	(0.3)	
Buying, occupancy and distribution expenses	0.6	
Total cost of sales, and related buying, occupancy and distribution expense	0.0	%

Gross profit in the current year benefited from lower inventory shrink expense, higher maintained merchandise margins associated with improved consumer demand for products in the first quarter offset by the increased level of markdowns in the second quarter and higher aggregate buying, occupancy, and distribution expenses, which are included in cost of sales. The increase in buying, occupancy and distribution expenses was primarily attributable to higher occupancy costs associated with higher rent, taxes, and common area charges and incremental depreciation expense associated with the inclusion of the Peebles stores in 2004 and the 14 net new stores that have been added since the end of the prior year second quarter.

Selling, general and administrative ("SG&A") expenses for the current year increased 54.7% to $129.7 million from $83.8 in the prior year and, as a percent of sales, increased to 22.8% from 20.7% in the prior year. SG&A expenses for the current year increased from the prior year primarily as a result of the increase in the number of stores in operation in the current year, including the acquired Peebles stores, and the fact that there was no net credit income from the Company's private label credit card program in the current year as compared to the prior year. SG&A expenses in the prior year included, as an offset to SG&A expenses, the net income contributions from Stage's private label credit card program prior to its sale on September 12, 2003, which included service charge and late fee income, operating expenses incurred by the Company in origination of credit, customer service and collection activities, interest expense on securitization facility borrowings and certain other items (collectively "Net Credit Income"). Net Credit Income in the prior year was $10.8 million, or 2.7% of sales. SG&A expenses in the prior year, excluding the $10.8 million of Net Credit Income, would have been $94.6 million, or 23.3% of sales. As compared to the adjusted rate of 23.3% for the prior year, the current year rate of 22.8% represents an improvement of 0.5%. The improvement is primarily due to better overall leverage from this year's higher sales and lower advertising expense as a rate of sales. Advertising expenses, as a percent of sales, benefited from the relatively lower advertising costs at the Peebles stores.

Store opening costs in the current year of $0.5 million relate to the 6 new stores opened during the current year as compared to $1.1 million incurred in the prior year related to the 12 new stores opened. The Company has opened stores in smaller markets during the current year and as a result these stores have had lower average store opening costs.

Net interest expense for the current year increased to $0.9 million from $0.8 million in the prior year. The Company's primary source of funding is its Revolving Credit Facility, as discussed in "Liquidity and Capital Resources".

The Company’s effective tax rate in 2004 is estimated to be 37%, resulting in income tax expense of $14.0 million in the current year, as compared to income tax expense of $12.7 million in the prior year, during which its effective tax rate was 36.5%.

As a result of the foregoing, the Company had net income of $23.9 million for the current year as compared to net income of $22.0 million for the prior year, an increase of 8.6%.

Seasonality and Inflation

Historically, the Company's business is seasonal and sales traditionally are lower during the first three quarters of the year (February through October) and higher during the last three months of the year (November through January). The fourth quarter usually accounts for about 30% of the Company's annual sales, with the other quarters accounting for approximately 22% to 24% each. The sales levels and gross profit margins achieved on a quarterly basis are impacted by the changes in seasonal weather patterns as well as the level of promotions associated with the traditional holiday period or other sales events (e.g., back-to-school sales) which tend to impact consumer demand for apparel.

Liquidity and Capital Resources

The Company's liquidity is currently provided by (i) existing cash balances, (ii) operating cash flows, (iii) normal trade credit terms from the vendor and factor community, and (iv) its Revolving Credit Facility. During the current year, the Company's cash flow also benefited from the sale of the Peebles' private label credit card portfolio.

With the Acquisition, the Company also acquired Peebles' private label credit card portfolio. On March 5, 2004, the Company sold this private label credit card portfolio to the Bank. At closing, the Company received consideration of approximately $34.8 million, which approximated the amount of account balances outstanding at the time of closing. Under the terms of the Amended and Restated Program Agreement dated March 5, 2004, the Company is obligated to reimburse the Bank up to a total of $3.5 million based on the non-attainment of a defined net portfolio yield performance.

On August 21, 2003, the Company entered into a $175.0 million senior secured revolving credit facility that matures August 21, 2008. On November 4, 2003, in conjunction with the Acquisition, the Company increased the Revolving Credit Facility commitment from $175.0 million to $250.0 million. Borrowings under the Revolving Credit Facility are limited to the availability under a borrowing base that is determined principally on eligible inventory as defined by the Revolving Credit Facility agreement. The daily interest rates under the Revolving Credit Facility are equal to the applicable prime rate or Eurodollar rate plus an applicable margin as set forth in the Revolving Credit Facility agreement. Inventory, accounts receivable, cash and cash equivalents are pledged as collateral under the Revolving Credit Facility. The Revolving Credit Facility is used by the Company to provide financing for working capital, capital expenditures, interest payments and other general corporate purposes, as well as to support its outstanding letters of credit requirements. The outstanding borrowings at July 31, 2004 were $18.5 million. Excess borrowing availability under the Revolving Credit Facility, net of letters of credit outstanding of $27.9 million, was $134.5 million at July 31, 2004. During the first half of 2004, the weighted average interest rate on outstanding borrowings, and the average daily borrowings under the Revolving Credit Facility were 3.1% and $7.2 million, respectively.

The Revolving Credit Facility contains covenants which, among other things, restrict (i) the amount of additional debt or capital lease obligations, (ii) the amount of capital expenditures, payment of dividends and repurchase of common stock under certain circumstances, and (iii) related party transactions. The Company continually monitors its liquidity position and compliance with those covenants. At July 31, 2004, the Company was in compliance with all of the debt covenants of the Revolving Credit Facility.

The Company generated $63.5 million in cash provided from operating activities in the current year. In addition to the $34.8 million of proceeds that it received from the sale of Peebles' private label credit card portfolio, net income, adjusted for non-cash expenses such as depreciation, deferred tax, provision for bad debts, amortization of debt issue costs and deferred stock compensation provided cash of approximately $43.8 million. Other operating cash flow changes used net cash of approximately $15.1 million which was primarily attributed to a $27.3 million increase in merchandise inventories due to seasonal build of inventories as well as the calendar shift in the Texas sales tax holiday weekend.

On October 1, 2003, the Company's Board of Directors approved a stock repurchase program authorizing the Company to buy, from time to time, up to $50.0 million of its common stock. The $50.0 million Stock Repurchase Program, which was completed during the current year second quarter, was funded by the Company’s cash flow and other liquidity sources. In addition, the Company has and expects to continue to repurchase its outstanding stock from time to time using the proceeds that it receives from the exercise of employee stock options under its Amended and Restated 2001 Equity Incentive Plan, including the tax benefits that accrue to the Company from the exercise of these options, as well as proceeds that it receives from the exercise of its outstanding warrants. The Company has purchased 1,533,256 shares of its common stock, at a cost of approximately $57.1 million during the twenty-six weeks ended July 31, 2004. At July 31, 2004, approximately $4.2 million was available to the Company for stock repurchase, of which the entire amount relates to proceeds from stock option exercises.

Capital expenditures are generally for new store openings, remodeling of existing stores and facilities, customary store maintenance and operating and information system enhancements and upgrades. Capital expenditures were $15.3 million in the current year as compared to $14.9 million in the prior year. Management currently estimates that capital expenditures will be approximately $40.0 to $45.0 million during 2004, principally for the opening of 22 new stores, remodels and upgrades of existing stores and enhancements in the Company's infrastructure in support of business strategies to improve merchandise planning and forecasting, logistics support and store operations.

While there can be no assurances, management believes that there should be sufficient liquidity to cover both the Company's short-term and long-term funding needs.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Borrowings under the Company’s Revolving Credit Facility bear a floating rate of interest. As of July 31, 2004, there were $18.5 million outstanding borrowings under the Company's Revolving Credit Facility. A hypothetical 10% change in interest rates from the July 31, 2004 levels would have an approximate $0.06 million effect on the Company's results of operations and cash flows.

Item 4. CONTROLS AND PROCEDURES

As defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), the term “disclosure controls and procedures” means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

As defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act, the term "internal control over financial reporting" means a process designed by, or under the supervision of, the issuer's principal executive and principal financial officers, or persons performing similar functions, and effected by the issuer'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 accounting principles generally accepted in the United States of America and 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 issuer;

(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 issuer are being made only in accordance with authorizations of management and directors of the issuer; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material adverse effect on the financial statements.

The Company's management has established and maintains internal control over financial reporting. No changes in the Company’s internal control over financial reporting occurred during the quarter ended July 31, 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures in connection with the original filing on Form 10-Q. Based on this evaluation, they concluded that the Company's disclosure controls and procedures were effective as of July 31, 2004.

Subsequent to this evaluation, management determined that the Company's system of internal control over financial reporting was not effective as of January 29, 2005 as it related to the Company’s lease accounting practices. In performing its evaluation, management reviewed the Company’s lease accounting practices in light of the views expressed by the Office of the Chief Accountant of the Securities and Exchange Commission on February 7, 2005. As a result of this review, management concluded that the Company’s controls over the selection and monitoring of appropriate assumptions and factors affecting lease accounting practices were insufficient. Management determined that the Company’s rent, depreciation, and interest expense, property and equipment, finance lease obligations, deferred rent credits and deferred income taxes in prior periods had been misstated. On March 17, 2005, the Audit Committee of the Company’s Board of Directors concluded that it was appropriate to restate the Company’s financial statements for the years ended January 31, 2004 and February 1, 2003 and the twenty-two weeks ended February 2, 2002 and the first three quarters of the 2004 fiscal year, to reflect the correction of these errors in the Company’s lease accounting. Management evaluated the impact of this restatement on the Company’s assessment of internal control over financial reporting and concluded that the control deficiency related to lease accounting practices that resulted in incorrect lease accounting represented a material weakness as of January 29, 2005. No other material weaknesses were identified as a result of management’s assessment.

In connection with the restatement and the filing of this Form 10-Q/A, the Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, re-evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this report. Based on that re-evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were not effective as of July 31, 2004 as they related to the Company’s lease accounting practices. Subsequently, the Company has remediated the material weakness in internal control over financial reporting for lease accounting practices by implementing additional review procedures over the selection and monitoring of appropriate assumptions and factors affecting lease accounting practices.

PART II – OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

During the fiscal quarter ended July 31, 2004, the Company did not have any material legal proceedings brought against it, its subsidiaries or their properties.

Item 2. CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan (1)
Balance May 1, 2004	722,756	$37.90	722,756	$32,036,845
May 2, 2004, to May 29, 2004	443,600	$36.64	443,600	$15,934,984
May 30, 2004, to July 3, 2004	128,000	$39.52	128,000	$12,182,698
July 4, 2004, to July 31, 2004	238,900	$34.96	238,900	$4,180,833
Total	1,533,256	$37.22	1,533,256	

(1) On October 1, 2003, the Company's Board of Directors approved a stock repurchase program authorizing the Company to buy, from time to time, up to $50.0 million of its common stock. The $50.0 million Stock Repurchase Program, which was completed during the current year second quarter, was funded by the Company's cash flow and other liquidity sources. In addition, the Company has and expects to continue to repurchase its outstanding stock from time to time using the proceeds that it receives from the exercise of employee stock options under its Amended and Restated 2001 Equity Incentive Plan, including the tax benefits that accrue to the Company from the exercise of these options, as well as proceeds that it receives from the exercise of its outstanding warrants. The Company has purchased 1,533,256 shares of its common stock, at a cost of approximately $57.1 million during the twenty-six weeks ended July 31, 2004. At July 31, 2004, approximately $4.2 million was available to the Company for stock repurchase, of which the entire amount relates to proceeds from stock option exercises.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The 2004 Annual Meeting of Shareholders of the Company was held on June 3, 2004. The following matters were submitted to a vote of the Company's shareholders:

1. Election of Directors. The election of nine directors (constituting the entire board of directors) for the ensuing year and until their successors are duly elected and qualified. The results of the election for each such director were as follows:

Directors	Votes For	Votes Withheld
Scott Davido	17,468,797	383,379
Alan Gilman	17,200,916	651,260
Michael Glazer	17,103,853	748,323
Michael McCreery	17,451,407	400,769
John Mentzer	17,468,897	383,279
Margaret Monaco	17,533,497	318,679
William Montgoris	17,533,497	318,679
Walter Salmon	17,397,302	454,874
James Scarborough	17,238,966	613,210

2. Ratification of the Appointment of Auditors. With respect to the ratification of the appointment of the firm of Deloitte & Touche LLP as the independent auditors to audit the consolidated financial statements of the Company and the financial statements of certain of its subsidiaries for the fiscal year ending January 29, 2005:

In Favor Of	Against	Abstain
17,783,888	67,325	963

3. Approval of Material Terms of Executive Officer Performance Goals. With respect to the approval of Material Terms of Executive Officer Performance Goals:

In Favor Of	Against	Abstain
13,754,450	467,428	15,254

4. Approval of the Amended and Restated 2001 Equity Incentive Plan. With respect to the approval of the Amended and Restated 2001 Equity Incentive Plan:

In Favor Of	Against	Abstain
10,164,948	4,063,357	8,827

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The following documents are the exhibits to this Form 10-Q. For convenient reference, each exhibit is listed according to the Exhibit Table of Item 601 of Regulation S-K.

Exhibit Number	Description
10	Employment Agreement between Cynthia Murray and Stage Stores, Inc. dated August 2, 2004 (incorporated by reference to Exhibit 10 of Stage Stores' Quarterly Report on Form 10-Q (Commission File No. 1-14035) filed August 27, 2004).
31.1*	Certifications of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Exchange Act
31.2*	Certifications of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Exchange Act
32*	Certifications Pursuant to 18 U.S.C. Section 1350

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* Filed electronically herewith

(b) Reports on Form 8-K

During the current year second quarter, the Company filed the following reports on Form 8-K:

On May 11, 2004, the Company filed an 8-K which reported under Item 7 and 12 that on May 6, 2004, the Company issued a news release announcing sales for April 2003 and reaffirming first quarter 2004 earnings outlook. A copy of the news release is attached to the Form 8-K.

On May 18, 2004, the Company filed an 8-K which reported under Item 5 and 7 that on May 13, 2004, the Company issued a news release announcing the first quarter results release date and conference call information. A copy of the news release is attached to the Form 8-K.

On May 25, 2004, the Company filed an 8-K which reported under Item 7 and 12 that on May 20, 2004, the Company issued a news release announcing results for the first quarter ended May 1, 2004 and providing second quarter and full year earnings guidance. A copy of the news release is attached to the Form 8-K.

On June 4, 2004, the Company filed an 8-K which reported under Item 7 and 12 that on June 3, 2004, the Company issued a news release announcing sales for May 2004, providing stock repurchase program update and announcing the Company's participation at the Piper Jaffray Consumer Conference. A copy of the news release is attached to the Form 8-K.

On July 12, 2004, the Company filed an 8-K which reported under Item 7 and 12 that on July 8, 2004, the Company issued a news release announcing sales for June 2004, updating second quarter and full year guidance and announcing the Company's participation at CIBC World Markets Fourth Annual Consumer Growth Conference. A copy of the news release is attached to the Form 8-K.

On July 29, 2004, the Company filed an 8-K which reported under Item 5 and 7 that on July 27, 2004, the Company issued a news release announcing the appointment of Cynthia "Cinny" Murray to the position of Executive Vice President, General Merchandise Manager, effective August 2, 2004.

SIGNATURES

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

STAGE STORES, INC.

April 27, 2005
(Date)

/s/ James R. Scarborough
James R. Scarborough
Chief Executive Officer and President

April 27, 2005
(Date)

/s/ Michael E. McCreery
Michael E. McCreery
Executive Vice President, Chief
Financial Officer and Corporate Secretary