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 October 30, 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 Identification 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 Exchange 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 December 3, 2004, there were 18,125,211 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 October 30, 2004, initially filed with the SEC on December 8, 2004 (the "Original Filing"), is being filed to reflect restatements of the Company's consolidated balance sheets at October 30, 2004 and January 31, 2004, and the related consolidated statements of income, stockholders' equity and cash flows for the quarters ended October 30, 2004 and November 1, 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 May 1, 2004 and July 31, 2004, which 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)

	October 30, 2004 *	January 31, 2004
ASSETS		
Cash and cash equivalents	$ 14,865	$ 14,733
Accounts receivable	-	35,112
Merchandise inventories, net	359,250	259,687
Current deferred tax assets	23,218	27,701
Prepaid expenses and other current assets	19,516	26,071
Total current assets	416,849	363,304
Property, equipment and leasehold improvements, net	206,428	200,802
Goodwill	80,054	80,054
Intangible asset	14,910	14,910
Other long-term assets	11,469	10,021
Total assets	$ 729,710	$ 669,091
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 111,443	$ 75,685
Income taxes payable	5,875	2,598
Current portion of debt obligations	171	400
Accrued expenses and other current liabilities	57,502	54,083
Total current liabilities	174,991	132,766
Debt obligations	47,976	12,719
Deferred taxes	11,733	12,442
Other long-term liabilities	43,028	40,826
Total liabilities	277,728	198,753
Commitments and contingencies		
Common stock, par value $0.01, 50,000 shares authorized, 20,995 and 20,579 shares issued, respectively	210	206
Additional paid-in capital	385,208	374,645
Less treasury stock - at cost, 3,083 and 1,414 shares, respectively	(94,828)	(33,127)
Retained earnings	161,392	128,614
Stockholders' equity	451,982	470,338
Total liabilities and stockholders' equity	$ 729,710	$ 669,091

* As restated, see Note 2.

The accompanying notes are an integral part of these statements.

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 30, 2004 *	November 1, 2003 *	October 30, 2004 *	November 1, 2003 *
Net sales	$ 285,296	$ 197,949	$ 854,826	$ 603,657
Cost of sales and related buying, occupancy and distribution expenses	201,170	143,009	601,574	428,338
Gross profit	84,126	54,940	253,252	175,319
Selling, general and administrative expenses	68,160	45,376	197,832	129,194
Store opening costs	1,065	1,352	1,561	2,435
Interest, net of income of $0 and $229 for the thirteen weeks and $13 and $294 for the thirty-nine weeks, respectively	774	928	1,831	1,736
Gain on sale of proprietary credit card portfolio, net	-	(12,218)	-	(12,218)
Income before income tax	14,127	19,502	52,028	54,172
Income tax expense	5,227	7,118	19,250	19,773
Net income	$ 8,900	$ 12,384	$ 32,778	$ 34,399
Basic earnings per share data:				
Basic earnings per share	$ 0.50	$ 0.65	$ 1.79	$ 1.82
Basic weighted average shares outstanding	17,863	19,007	18,327	18,930
Diluted earnings per share data:				
Diluted earnings per share	$ 0.46	$ 0.60	$ 1.64	$ 1.72
Diluted weighted average shares outstanding	19,487	20,489	20,045	20,036

* As restated, see Note 2.

The accompanying notes are an integral part of these statements.

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

	Thirty-Nine Weeks Ended October 30, 2004 *	Thirty-Nine Weeks Ended November 1, 2003 *
Cash flows from operating activities:		
Net income	$ 32,778	$ 34,399
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of private label credit card portfolio, net	-	(12,218)
Depreciation and amortization	26,724	17,423
Amortization of debt issue costs	335	1,615
Deferred stock compensation	173	-
Provision for bad debts	311	15,938
Deferred income taxes	3,773	5,905
Proceeds from sale of private label credit card portfolio, net	34,764	158,200
Construction allowance received from landlords	2,058	8,583
Changes in operating assets and liabilities:		
Decrease in accounts receivable and retained interest in receivables sold	2,880	42,090
Increase in merchandise inventories	(99,563)	(68,563)
Decrease (increase) in other assets	5,323	(3,955)
Increase in accounts payable and other liabilities	43,101	42,766
Total adjustments	19,879	207,784
Net cash provided by operating activities	52,657	242,183
Cash flows from investing activities:		
Additions to property, equipment and leasehold improvements	(32,260)	(30,148)
Proceeds from sale of fixtures and equipment	16	500
Net cash used in investing activities	(32,244)	(29,648)
Cash flows from financing activities:		
Proceeds from (payments on):		
Revolving credit facility, net	34,210	-
Repurchases of accounts receivable from accounts receivable trust	-	(64,000)
Finance lease obligations	1,650	-
Debt obligations	(832)	(200)
Repurchase of common stock	(61,701)	-
Exercise of stock options proceeds	6,392	3,500
Additions to debt issue cost	-	(1,731)
Net cash used in financing activities	(20,281)	(62,431)
Net increase in cash and cash equivalents	132	150,104
Cash and cash equivalents:		
Beginning of period	14,733	20,886
End of period	$ 14,865	$ 170,990
Supplemental disclosures:		
Interest paid	$ 1,319	$ 733
Income taxes paid	$ 8,189	$ 9,056

* As restated, see Note 2.

The accompanying notes are an integral part of these statements.

Stage Stores, Inc.
Condensed Consolidated Statements of Stockholders' Equity
For the Thirty-Nine Weeks Ended October 30, 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	-	-	-	-	-	32,778	32,778
Repurchases of common stock	-	-	-	(1,669)	(61,701)	-	(61,701)
Deferred stock compensation	-	-	173	-	-	-	173
Stock options exercised, including tax benefit	416	4	10,390	-	-	-	10,394
Balance, October 30, 2004 *	20,995	$ 210	$ 385,208	(3,083)	$(94,828)	$ 161,392	$ 451,982

* As restated, see Note 2.

The accompanying notes are an integral part of these statements.

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 October 30, 2004, the Company operated 522 stores in 28 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 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 $1.6 million, or $0.08 per diluted share, and $1.0 million, or $0.05 per diluted share, for the thirty-nine weeks ended October 30, 2004 and November 1, 2003, respectively.

The cumulative impact of the corrections on the Company's October 30, 2004 condensed consolidated balance sheet is an increase in property, equipment and leasehold improvements of $10.3 million, an increase in prepaid expenses and other current assets $0.7 million, an increase in deferred rent of $14.7 million, a decrease in deferred tax liability of $2.5 million, an increase in finance lease obligation of $3.1 million and a decrease in retained earnings of $4.3 million.

The impact of the corrections on the Company's condensed consolidated statements of cash flows for the thirty-nine weeks ended October 30, 2004 and November 1, 2003 is to increase "net cash provided by operating activities" by $1.4 million and $8.6 million, respectively, to decrease "net cash used in investing activities" by $3.1 million and $8.6 million, respectively and to increase "net cash provided by financing activities" by $1.6 million and $0.0 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 consolidated financial statements included in this Form 10-Q/A have been restated to reflect the changes to the Company's accounting policies described above.

The following is a summary of the significant effects of the restatement on (i) the Company's condensed consolidated balance sheets at October 30, 2004, (ii) the Company's condensed consolidated statements of income for the thirteen and thirty-nine weeks ended October 30, 2004 and November 1, 2003 and (iii) the Company's condensed consolidated statements of cash flows for the thirty-nine weeks ended October 30, 2004 and November 1, 2003.

October 30, 2004	As Previously Reported	Adjustments	As Restated
Condensed Consolidated Balance Sheet			
Property, equipment, and leasehold improvements, net	$ 196,112	$ 10,316	$ 206,428
Prepaid expenses and other current assets	18,859	657	19,516
Total assets	718,737	10,973	729,710
Current portion of debt obligations	105	66	171
Debt obligations	44,910	3,066	47,976
Other long-term liabilities	28,310	14,718	43,028
Deferred taxes	14,265	(2,532)	11,733
Total liabilities	262,410	15,318	277,728
Retained earnings	165,737	(4,345)	161,392
Stockholders' equity	456,327	(4,345)	451,982
Total liabilities and stockholders' equity	$ 718,737	$ 10,973	$ 729,710

Thirteen weeks ended October 30, 2004	As Previously Reported	Adjustments	As Restated
Condensed Consolidated Statement of Income			
Cost of sales and related buying, occupancy and distribution expenses	$ 200,690	$ 480	$ 201,170
Gross profit	84,606	(480)	84,126
Store opening costs	591	474	1,065
Interest expense, net	711	63	774
Income before income tax	15,144	(1,017)	14,127
Income tax expense	5,604	(377)	5,227
Net income	$ 9,540	$ (640)	$ 8,900
Basic and diluted earnings per share:			
Basic earnings per share	$ 0.53	$ (0.03)	$ 0.50
Diluted earnings per share	$ 0.49	$ (0.03)	$ 0.46

Thirteen weeks ended November 1, 2003	As Previously Reported	Adjustments	As Restated
Condensed Consolidated Statement of Income			
Cost of sales and related buying, occupancy and distribution expenses	$ 142,719	$ 290	$ 143,009
Gross profit	55,230	(290)	54,940
Store opening costs	818	534	1,352
Income before income tax	20,326	(824)	19,502
Income tax expense	7,419	(301)	7,118
Net income	$ 12,907	$ (523)	$ 12,384
Basic and diluted earnings per share:			
Basic earnings per share	$ 0.68	$ (0.03)	$ 0.65
Diluted earnings per share	$ 0.63	$ (0.03)	$ 0.60

Thirty-nine weeks ended October 30, 2004	As Previously Reported	Adjustments	As Restated
Condensed Consolidated Statement of Income			
Cost of sales and related buying, occupancy and distribution expenses	$ 599,837	$ 1,737	$ 601,574
Gross profit	254,989	(1,737)	253,252
Store opening costs	932	629	1,561
Interest expense, net	1,642	189	1,831
Income before income tax	54,583	(2,555)	52,028
Income tax expense	20,196	(946)	19,250
Net income	$ 34,387	$ (1,609)	$ 32,778
Basic and diluted earnings per share:			
Basic earnings per share	$ 1.88	$ (0.09)	$ 1.79
Diluted earnings per share	$ 1.72	$ (0.08)	$ 1.64

Thirty-nine weeks ended November 1, 2003	As Previously Reported	Adjustments	As Restated
Condensed Consolidated Statement of Income			
Cost of sales and related buying, occupancy and distribution expenses	$ 427,602	$ 736	$ 428,338
Gross profit	176,055	(736)	175,319
Store opening costs	1,574	861	2,435
Income before income tax	55,769	(1,597)	54,172
Income tax expense	20,356	(583)	19,773
Net income	$ 35,413	$ (1,014)	$ 34,399
Basic and diluted earnings per share:			
Basic earnings per share	$ 1.87	$ (0.05)	$ 1.82
Diluted earnings per share	$ 1.77	$ (0.05)	$ 1.72

Thirty-nine weeks ended October 30, 2004	As Previously Reported	Adjustments	As Restated
Consolidated Statement of Cash Flows			
Net income	$ 34,387	$ (1,609)	$ 32,778
Depreciation and amortization	24,145	2,579	26,724
Deferred income taxes	4,719	(946)	3,773
Construction allowance received from landlords	-	2,058	2,058
Increase (decrease) in accounts payable and other liabilities	43,111	(10)	43,101
Net cash provided by operating activities	51,242	1,415	52,657
Additions to property, equipment, and leasehold improvements	(29,209)	(3,051)	(32,260)
Net cash used in investing activities	(29,193)	(3,051)	(32,244)
Finance lease obligations	-	1,650	1,650
Debt obligations	(818)	(14)	(832)
Net cash used in financing activities	$ (21,917)	$ 1,636	$ (20,281)

Thirty-nine weeks ended November 1, 2003	As Previously Reported	Adjustments	As Restated
Consolidated Statement of Cash Flows			
Net income	$ 35,413	$ (1,014)	$ 34,399
Depreciation and amortization	16,337	1,086	17,423
Deferred income taxes	6,488	(583)	5,905
Construction allowance received from landlords	-	8,583	8,583
Increase (decrease) in accounts payable and other liabilities	42,255	511	42,766
Net cash provided by operating activities	233,600	8,583	242,183
Additions to property, equipment, and leasehold improvements	(21,565)	(8,583)	(30,148)
Net cash used in investing activities	$ (21,065)	$ (8,583)	$ (29,648)

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		Thirty-Nine Weeks Ended	
	October 30, 2004	November 1, 2003	October 30, 2004	November 1, 2003
Net income, as reported	$ 8,900	$ 12,384	$ 32,778	$ 34,399
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(722)	(580)	(2,020)	(1,714)
Pro forma net income	$ 8,178	$ 11,804	$ 30,758	$ 32,685
Earnings per share:				
Basic - as reported	$ 0.50	$ 0.65	$ 1.79	$ 1.82
Basic - pro forma	0.46	0.62	1.68	1.73
Diluted - as reported	$ 0.46	$ 0.60	$ 1.64	$ 1.72
Diluted - pro forma	0.42	0.58	1.53	1.63

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 third quarter of the current and prior year:

	Thirty-Nine Weeks Ended	
	October 30, 2004	November 1, 2003
Expected volatility	27.8-36.0%	38.7-41.5%
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. Sale of Private Label Credit Card Portfolios

On September 12, 2003, pursuant to the terms of a Credit Card Portfolio Purchase and Sale Agreement, the Company sold Stage Stores portfolio (the “Stage Portfolio”) of private label credit card accounts at that time, as well as other assets related to its private label credit card program, to World Financial Network National Bank (the “Bank”) and Alliance Data Systems, Inc. (“ADS”). As part of the sale, the Company entered into a 10 year Program Agreement as of the sale date with ADS. The Program Agreement was amended and restated on March 5, 2004 (the “Amended and Restated Program Agreement”) in connection with the sale of Peebles Inc.’s private label credit card portfolio as discussed below. Pursuant to the provisions in the Amended and Restated Program Agreement as it relates to the Stage Portfolio, during the initial year, credit sales were processed at no charge (i.e., discount) to the Company. Beginning October 1, 2004, and adjusted quarterly thereafter based on the then trailing twelve month portfolio performance, if the

defined net yield is above or below the specified range, the Company receives a premium or pays a discount equal to 50% of the excess or shortfall of the specified yield range divided by the defined portfolio yield turn rate. The Amended and Restated Program Agreement provides for automatic one-year renewal terms at expiration. The Company realized $0.3 million of premiums on credit sales related to this agreement during the quarter ended October 30, 2004 which has been recorded as a reduction to selling, general and administrative expenses.

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 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, the Company is obligated to reimburse the Bank up to a total of $3.5 million during the first three years after the sale based on the non-attainment of a defined net portfolio yield performance and has recorded this obligation.

5. Debt Obligations

Debt obligations consist of the following (in thousands):

	October 30, 2004	January 31, 2004
Revolving credit facility	$ 44,910	$ 10,700
Capital and finance lease obligations	3,237	2,419
	48,147	13,119
Less: Current portion of debt obligations	171	400
Debt obligations	$ 47,976	$ 12,719

The Company has a senior secured revolving credit facility (the "Revolving Credit Facility") that matures August 21, 2008 which provides for borrowings up to a maximum of $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 October 30, 2004 were $44.9 million. Excess borrowing availability under the Revolving Credit Facility, net of letters of credit outstanding of $17.7 million, was $180.4 million at October 30, 2004. During the first nine months of 2004, the weighted average interest rate on outstanding borrowings, and the average daily borrowings under the Revolving Credit Facility were 3.3% and $10.8 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 October 30, 2004, the Company was in compliance with all of the debt covenants of the Revolving Credit Facility.

At October 30, 2004, the Company had one capital lease obligation in the amount of $0.1 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 $3.2 million as a finance lease obligation for two leases with interest rates ranging from 12.3% to 16.9% on its Consolidated Balance Sheet related to this type of project as of October 30, 2004.

6. 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.

7. 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 of the diluted weighted average shares outstanding computation (in thousands):

	Thirteen weeks ended		Thirty-Nine weeks ended	
	October 30, 2004	November 1, 2003	October 30, 2004	November 1, 2003
Basic weighted average shares outstanding	17,863	19,007	18,327	18,930
Effect of dilutive securities:				
Stock options	890	945	938	748
Warrants	734	537	780	358
Diluted weighted average shares outstanding	19,487	20,489	20,045	20,036

The weighted average market price for the thirteen week current and prior year periods was $34.18 and $27.75, respectively. The weighted average market price for the thirty-nine week current and prior year periods was $36.11 and $23.73, 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 prices 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		Thirty-Nine weeks ended	
	October 30, 2004	November 1, 2003	October 30, 2004	November 1, 2003
Number of anti-dilutive options outstanding	312,200	1,500	205,200	38,500

8. 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 1,668,256 shares of its common stock, at a cost of approximately $61.7 million, during the thirty-nine weeks ended October 30, 2004. At October 30, 2004, approximately $2.4 million was available to the Company for stock repurchase, of which the entire amount relates to proceeds from stock option exercises.

9. 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 $0.2 million of compensation expense during the thirty-nine weeks ended October 30, 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.

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 (collectively, the "Retirement Plans"). Information regarding the Retirement Plans is as follows (in thousands):

Components of Net Periodic Pension Costs

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 30, 2004	November 1, 2003	October 30, 2004	November 1, 2003
Service cost	$ 14	$ -	$ 42	$ -
Interest cost	557	535	1,671	1,605
Expected return on plan assets	(550)	(451)	(1,650)	(1,353)
Net loss amortization	-	2	-	6
Net periodic pension cost	$ 21	$ 86	$ 63	$ 258

Employer Contribution

As of October 30, 2004, $1.6 million of contributions have been made, of which $0.2 million was contributed during the third 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 due to Lease Accounting Matters

As previously disclosed in the Company's Current Report on Form 8-K on March 17, 2005, the Audit Committee of 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 $1.6 million, or $0.08 per diluted share, and $1.0 million, or $0.05 per diluted share, for the thirty-nine weeks ended October 30, 2004 and November 1, 2003, respectively.

The cumulative impact of the corrections on the Company's October 30, 2004 condensed consolidated balance sheet is an increase in property, equipment and leasehold improvements of $10.3 million, an increase in prepaid expenses and other current assets $0.7 million, an increase in deferred rent of $14.7 million, a decrease in deferred tax liability of $2.5 million, an increase in finance lease obligation of $3.1 million and a decrease in retained earnings of $4.3 million.

The impact of the corrections on the Company's condensed consolidated statements of cash flows for the thirty-nine weeks ended October 30, 2004 and November 1, 2003 is to increase "net cash provided by operating activities" by $1.4 million and $8.6 million, respectively, to decrease "net cash used in investing activities" by $3.1 million and $8.6 million, respectively and to increase "net cash provided by financing activities" by $1.6 million and $0.0 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 October 30, 2004, the Company operated 522 stores located in 28 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 believes it offers consumers a high level of customer service in convenient locations.

During 2003, the Company made the strategic decision to sell the Stage Stores' private label credit card portfolio (the "Stage Portfolio"). On September 12, 2003, the Company sold the Stage Portfolio, 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 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 what it believes is 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 of selling, general and administrative expenses, 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		Thirty-Nine Weeks Ended	
	October 30, 2004	November 1, 2003	October 30, 2004	November 1, 2003
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales and related buying, occupancy and distribution expenses	70.5	72.2	70.4	71.0
Gross profit	29.5	27.8	29.6	29.0
Selling, general and administrative expenses	23.9	22.9	23.1	21.4
Store opening costs	0.4	0.7	0.2	0.4
Interest, net	0.2	0.5	0.2	0.3
Gain on sale of proprietary credit card portfolio, net	-	6.2	-	2.0
Income before income tax *	4.9	9.9	6.1	9.0
Income tax	1.8	3.4	2.3	3.3
Net income *	3.1 %	6.3 %	3.8 %	5.7 %

* Total may not foot due to rounding

Thirteen Weeks Ended October 30, 2004 Compared to Thirteen Weeks Ended November 1, 2003

Sales for the thirteen weeks ended October 30, 2004 (the "current year third quarter") increased 44.2% to $285.3 million from $197.9 million for the thirteen weeks ended November 1, 2003 (the "prior year third quarter"). The inclusion of the Peebles stores accounted for $72.1 million of the $87.4 million increase in sales in the current year third quarter. The remaining $15.3 million increase was a combination of the beneficial impact of the calendar shift from the second quarter last year to the third quarter this year of the Texas sales tax holiday weekend and comparable store sales increases and sales generated by new stores that are not yet in the comparable store base. Comparable store sales, which include comparable store sales for the Peebles stores in both periods, increased 4.3% versus a 6.0% decrease for the same period last year. On a monthly basis, comparable store sales increased 8.1% in August, 2.5% in September, and 1.8% in October. These comparable store sales increases in the current year third quarter were positively impacted by the shift in the Texas sales tax holiday weekend.

For the current year third quarter, the Company achieved comparable store sales gains in most significant merchandise categories (i.e. those categories contributing greater than 5% of sales) as compared to the prior year third quarter. The special sizes, men's and footwear departments each had comparable store sales increases greater than 10% during the current year third quarter. Children's, misses sportswear, and accessories had comparable store sales increases greater than 5% during the current year third quarter. Juniors and young men's each had comparable store sales decreases of 0.3% and 2.7%, respectively. On a market population basis, the Company experienced positive comparable store sales results in its three population groups. The small market stores, or those in market areas of less than 50,000 people, increased 6.0%. The mid-size market stores, or those in market areas of between 50,000 and 150,000 people, increased 1.0%, while comparable store sales for stores in market areas of greater than 150,000 people increased 4.0%. The Company's large market stores, of which approximately 75% are located in Texas, benefited significantly from the sales tax holiday weekend event.

Gross profit increased 53.2% to $84.1 million for the current year third quarter from $54.9 million for the prior year third quarter. Gross profit, as a percent of sales, increased to 29.5% for the current year third quarter from 27.8% for the prior year third quarter. The following is a summary of the changes between the current year third quarter and the prior year third quarter in the components of cost of sales, expressed as a percent of sales:

Cost Component	Increase/(Decrease) Quarter 3 2004	
Merchandise cost of sales	(1.9)	%
Shrink expense	(0.4)	
Buying, occupancy and distribution expenses	0.6	
Total cost of sales, and related buying, occupancy and distribution expenses	(1.7)	%

Gross profit during the current year third quarter was positively impacted by the inclusion of the Peebles stores in the current year third quarter results and lower shrink expense. The increase in buying, occupancy and distribution expenses was principally driven by higher costs of operations of the Peebles distribution centers as well as higher store occupancy costs associated with higher rent and incremental depreciation expense associated with the inclusion of the Peebles stores in the current year third quarter results, and the 8 net new stores that have been added since the end of the prior year third quarter.

Selling, general and administrative ("SG&A") expenses for the current year third quarter increased 50.2% to $68.2 million from $45.4 million in the prior year third quarter and, as a percent of sales, increased to 23.9% from 22.9% in the comparable period last year. SG&A expenses for the current year third quarter increased from the prior year third quarter primarily as a result of the increase in the number of stores in operation in the current year third 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 third quarter as compared to the prior year third quarter. SG&A expenses in the prior year third 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 third quarter was $2.8 million, or 1.4% of sales. SG&A expenses in the prior year third quarter, excluding the $2.8 million of Net Credit Income, would have been $48.2 million, or 24.3% of sales. As compared to the adjusted rate of 24.3% for the prior year third quarter, the current year third quarter's rate of 23.9% represents an improvement of 0.4%, primarily reflecting improved leverage of depreciation and advertising costs, which was driven by relatively lower advertising costs at the Peebles stores.

Store opening costs during the current year third quarter, which relate to the 7 new stores added during the period as well as the initial expenses associated with the 9 new stores that will be opening in the current year fourth quarter, totaled $1.1 million as compared to $1.4 million for the 13 new stores opened in the prior year third quarter.

Net interest expense was $0.7 million in the current year third quarter as compared to $0.9 million in the prior year third quarter. The prior year included a write-off of $0.8 million of unamortized debt issue costs associated with the termination on August 21, 2003 of the Company’s former $125.0 million credit facility. Interest expense in the current year relates to borrowings under the senior secured revolving credit facility (the “Revolving Credit Facility”) that matures August 21, 2008, which provides for borrowings up to a maximum of $250.0 million, related letters of credit and commitment fees and amortization of debt issue costs. 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 $5.2 million in the current year third quarter, as compared to income tax expense of $7.1 million in the prior year third quarter, during which its effective tax rate was 36.5%.

As a result of the foregoing, the Company had net income of $8.9 million for the current year third quarter as compared to net income of $12.4 million for the prior year third quarter, a decrease of 28.2%. The Company’s prior year third quarter earnings of $12.4 million included an after tax net gain of $7.8 million from the sale of its private label credit card portfolio.

Thirty-nine Weeks Ended October 30, 2004 Compared to Thirty-nine Weeks Ended November 1, 2003

Sales for the thirty-nine weeks ended October 30, 2004 (the “current year”) increased 41.6% to $854.8 million from $603.7 million for the thirty-nine weeks ended November 1, 2003 (the “prior year”). Comparable store sales, which include comparable store sales for the Peebles stores in both years, increased 1.8% in the current year as compared to a 5.1% decrease in the prior year. The increase in total sales reflects the impact of sales from the Peebles stores, which contributed $214.6 million for the current year, as well as the 8 net new stores opened since the end of the prior year third quarter and the increase in comparable store sales.

For the current year, the Company achieved comparable store sales gains in most significant merchandise categories (i.e. those categories contributing greater than 5% of sales) as compared to the prior year. The Company achieved the largest comparable store sales increases in its special sizes, misses sportswear, accessories, shoes, and men’s departments. The young men’s and juniors departments each had comparable store sales decreases of 5.8% and 3.2%, respectively. On a market population basis, the Company experienced positive comparable store sales results in its small market stores. The small market stores, or those in market areas of less than 50,000 people, increased 4.1%.

Gross profit increased 44.4% to $253.1 million for the current year from $175.3 million for the prior year. Gross profit, as a percent of sales, increased to 29.6% for the current year from 29.0% for 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	(0.9)	%
Shrink expense	(0.4)	
Buying, occupancy and distribution expenses	0.7	
Total cost of sales, and related buying, occupancy and distribution expenses	(0.6)	%

Gross profit in the current year has benefited from lower inventory shrink expense and higher maintained merchandise margins. The combination of improved consumer demand for products in the first quarter and the higher contribution by the Peebles stores in the third quarter, which was partly offset by a higher level of markdowns in the second quarter, resulted in a higher maintained margin for the current year period. The increase in buying, occupancy and distribution expenses was principally driven by higher costs of operations of the Peebles distribution centers as well as higher rent, taxes, and common area charges and incremental depreciation expense associated with the inclusion of the Peebles stores in the current year results and the 8 net new stores that have been added since the end of the prior year third quarter.

Selling, general and administrative ("SG&A") expenses for the current year increased 53.1% to $197.8 million from $129.2 in the prior year and, as a percent of sales, increased to 23.1% from 21.4% 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 $13.6 million, or 2.3% of sales. SG&A expenses in the prior year, excluding the $13.6 million of Net Credit Income, would have been $142.8 million, or 23.7% of sales. As compared to the adjusted rate of 23.7% for the prior year, the current year rate of 23.1% represents an improvement of 0.6%. The improvement is primarily due to improved leverage from this year's higher sales of advertising expense and depreciation expense. Advertising expenses, as a percent of sales, also benefited from the relatively lower advertising costs at the Peebles stores.

Store opening costs in the current year of $1.6 million relate to the 13 new stores opened during the current year as compared to store opening costs in the prior year of $2.4 million incurred in the prior year related to the 25 new stores opened.

Net interest expense for the current year decreased to $1.6 million from $1.7 million in the prior year. The prior year includes the write-off of $0.8 million of unamortized debt issue costs associated with the termination on August 21, 2003 of the Company's former $125.0 million credit facility. Interest expense in the current year relates to borrowings under the Revolving Credit Facility and related letters of credit and commitment fees, and amortization of debt issue costs. 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 $19.3 million in the current year, as compared to income tax expense of $19.8 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 $32.8 million for the current year as compared to net income of $34.4 million for the prior year, a decrease of 4.6%.

Seasonality and Inflation

Historically, the Company's business is seasonal and sales are traditionally 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 typically 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.

The Company has a senior secured revolving credit facility (the “Revolving Credit Facility”) that matures August 21, 2008 which provides for borrowings up to a maximum of $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 October 30, 2004 were $44.9 million. Excess borrowing availability under the Revolving Credit Facility, net of letters of credit outstanding of $17.7 million, was $180.4 million at October 30, 2004. During the first nine months of 2004, the weighted average interest rate on outstanding borrowings, and the average daily borrowings under the Revolving Credit Facility were 3.3% and $10.8 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 October 30, 2004, the Company was in compliance with all of the debt covenants of the Revolving Credit Facility.

The Company generated $52.7 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 $64.1 million. Other operating cash flow changes used net cash of approximately $46.2 million which includes a $99.6 million increase in merchandise inventories due to seasonal build of inventories.

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 1,668,256 shares of its common stock, at a cost of approximately $61.7 million, during the thirty-nine weeks ended

October 30, 2004. At October 30, 2004, approximately $2.4 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 $32.3 million in the current year as compared to $30.1 million in the prior year. Management currently estimates that capital expenditures will be approximately $45.0 million during 2004, principally for the opening of 22 new stores, remodels and relocations of existing stores, information systems technology projects, and general maintenance of the Company's infrastructure.

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 October 30, 2004, there were $44.9 million outstanding borrowings under the Company's Revolving Credit Facility. A hypothetical 10% change in interest rates from the October 30, 2004 levels would have an approximate $0.1 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 October 30, 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 October 30, 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 October 30, 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 thirteen weeks ended October 30, 2004, the Company did not have any material legal proceedings brought against it, its subsidiaries or their properties.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

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)
February 1, 2004, to July 31, 2004	1,533,256	$37.22	1,533,256	$4,180,833
August 1, 2004, to August 28, 2004	120,000	34.46	120,000	311,452
August 29, 2004, to October 2, 2004	15,000	33.70	15,000	1,903,371
October 3, 2004, to October 30, 2004	-	0.00	-	2,392,718
Total	1,668,256	$36.98	1,668,256	

(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 1,668,256 shares of its common stock, at a cost of approximately $61.7 million during the thirty-nine weeks ended October 30, 2004. At October 30, 2004, approximately $2.4 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

None.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

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

Exhibit Number	Description
10	Severance Agreement – Release of All Claims between Vivian McDonald and Stage Stores, Inc. dated August 25, 2004 (incorporated by reference to Exhibit 10 of Stage Stores' quarterly Report on Form 10-Q (Commission File No. 1-14035) filed December 8, 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

* Filed electronically herewith

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	/s/ James R. Scarborough
(Date)	James R. Scarborough
	Chief Executive Officer and President
April 27, 2005	/s/ Michael E. McCreery
(Date)	Michael E. McCreery
	Executive Vice President, Chief Financial Officer and Corporate Secretary