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

Form 10-Q/A

(Amendment No.1)

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended May 1, 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 (State or other jurisdiction of incorporation or organization)	**91-1826900** (I.R.S. Employer Identification No.)
10201 Main Street, Houston, Texas (Address of principal executive offices)	**77025** (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 June 1, 2004, there were 18,217,053 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 May 1, 2004, initially filed with the SEC on June 7, 2004 (the "Original Filing"), is being filed to reflect restatements of the Company's consolidated balance sheets at May 1, 2004 and January 31, 2004, and the related consolidated statements of income, stockholders' equity and cash flows for the quarters ended May 1, 2004 and May 3, 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 July 31, 2004 and October 30, 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)

	May 1, 2004 *	January 31, 2004
ASSETS		
Cash and cash equivalents	$ 16,536	$ 14,733
Accounts receivable, net	-	35,112
Merchandise inventories	298,978	259,687
Current deferred taxes	25,734	27,701
Prepaid expenses and other current assets	14,619	26,071
Total current assets	355,867	363,304
Property, equipment and leasehold improvements, net	198,613	200,802
Goodwill	80,054	80,054
Intangible asset	14,910	14,910
Other long-term assets, net	10,576	10,021
Total assets	$ 660,020	$ 669,091
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 74,004	$ 75,685
Income taxes payable	7,277	2,598
Current portion of debt obligations	406	400
Accrued expenses and other current liabilities	55,990	54,083
Total current liabilities	137,677	132,766
Debt obligations	1,772	12,719
Deferred taxes	11,410	12,442
Other long-term liabilities	42,004	40,826
Total liabilities	192,863	198,753
Commitments and contingencies		
Common stock, par value $0.01, 50,000 shares authorized, 20,792 and 20,579 shares issued, respectively	208	206
Additional paid-in capital	380,377	374,645
Less treasury stock - at cost, 2,137 and 1,414 shares, respectively	(60,523)	(33,127)
Retained earnings	147,095	128,614
Stockholders' equity	467,157	470,338
Total liabilities and stockholders' equity	$ 660,020	$ 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 May 1, 2004 *	Thirteen Weeks Ended May 3, 2003 *
Net sales	$ 289,658	$ 197,987
Cost of sales and related buying, occupancy and distribution expenses	193,194	135,688
Gross profit	96,464	62,299
Selling, general and administrative expenses	66,313	40,515
Store opening costs	341	650
Interest, net of income of $13 and $38, respectively	476	397
Income before income tax	29,334	20,737
Income tax expense	10,853	7,569
Net income	$ 18,481	$ 13,168
Basic earnings per share data:		
Basic earnings per share	$ 0.98	$ 0.70
Basic weighted average shares outstanding	18,925	18,877
Diluted earnings per share data:		
Diluted earnings per share	$ 0.89	$ 0.67
Diluted weighted average shares outstanding	20,779	19,527

* 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)

	Thirteen Weeks Ended May 1, 2004 *	Thirteen Weeks Ended May 3, 2003 *
Cash flows from operating activities:		
Net income	$ 18,481	$ 13,168
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,528	5,391
Amortization of debt issue costs	111	334
Provision for bad debts	311	6,698
Deferred tax benefit	935	1,471
Proceeds from sale of private label credit card portfolio, net	34,764	-
Construction allowance received from landlords	924	1,454
Changes in operating assets and liabilities:		
Decrease in accounts receivable and retained interest in receivables sold	3,537	26,404
Increase in merchandise inventories	(39,291)	(18,011)
Decrease in other assets	10,752	1,248
Increase (decrease) in accounts payable and other liabilities	4,079	(7,473)
Total adjustments	24,650	17,516
Net cash provided by operating activities	43,131	30,684
Cash flows from investing activities:		
Additions to property, equipment and leasehold improvements	(6,305)	(5,696)
Net cash used in investing activities	(6,305)	(5,696)
Cash flows from financing activities:		
Repayment of revolving credit facility	(10,700)	-
Repurchases of accounts receivable from accounts receivable trust	-	(24,000)
Repurchases of common stock	(27,396)	-
Debt obligations	(241)	(200)
Exercise of stock options proceeds	3,314	208
Net cash used in financing activities	(35,023)	(23,992)
Net increase in cash and cash equivalents	1,803	996
Cash and cash equivalents:		
Beginning of period	14,733	20,886
End of period	$ 16,536	$ 21,882
Supplemental disclosures:		
Interest paid	$ 327	$ 235
Income taxes paid	$ 2,842	$ 3,279

* 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 Thirteen Weeks Ended May 1, 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	-	-	-	-	-	18,481	18,481
Repurchases of common stock	-	-	-	(723)	(27,396)	-	(27,396)
Stock options exercised, including tax benefit	213	2	5,732	-	-	-	5,734
Balance, May 1, 2004 *	20,792	$ 208	$ 380,377	(2,137)	$(60,523)	$ 147,095	$ 467,157

* As restated, see Note 2.

The accompanying notes are an integral part of these statements.

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, references to "2003" mean 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, offering moderately priced nationally recognized brand name and private label apparel, accessories, cosmetics and footwear for the entire family. As of May 1, 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 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 $0.4 million, or $0.02 per diluted share, and $0.2 million, or $0.02 per diluted share, for the thirteen weeks ended May 1, 2004 and May 3, 2003, respectively.

The cumulative impact of the corrections on the Company's May 1, 2004 condensed consolidated balance sheet is an increase in property, equipment and leasehold improvements of $10.0 million, an increase in deferred rent of $13.5 million, a decrease in deferred tax liability of $1.8 million, an increase in finance lease obligation of $1.5 million and a decrease in retained earnings of $3.2 million.

The impact of the corrections on the Company's condensed consolidated statements of cash flows for the thirteen weeks ended May 1, 2004 and May 3, 2003 is to increase "net cash provided by operating activities" by $0.9 million and $1.5 million, respectively, and to decrease "net cash used in investing activities" by $0.9 million and $1.5 million, respectively.

The condensed 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 significant effects of the restatement on (i) the Company's condensed consolidated balance sheets at May 1, 2004, (ii) the Company's condensed consolidated statements of income for the fiscal quarters ended May 1, 2004 and May 3, 2003 and (iii) the Company's condensed consolidated statements of cash flows for the fiscal quarters ended May 1, 2004 and May 3, 2003.

May 1, 2004	As Previously Reported	Adjustments	As Restated
Condensed Consolidated Balance Sheet			
Property, equipment, and leasehold improvements, net	$ 188,644	$ 9,969	$ 198,613
Total assets	650,051	9,969	660,020
Current portion of debt obligations	381	25	406
Debt obligations	305	1,467	1,772
Other long-term liabilities	28,509	13,495	42,004
Deferred taxes	13,254	(1,844)	11,410
Total liabilities	179,720	13,143	192,863
Retained earnings	150,269	(3,174)	147,095
Stockholders' equity	470,331	(3,174)	467,157
Total liabilities and stockholders' equity	$ 650,051	$ 9,969	$ 660,020

Thirteen weeks ended May 1, 2004	As Previously Reported	Adjustments	As Restated
Condensed Consolidated Statement of Income			
Cost of sales and related buying, occupancy and distribution expenses	$ 192,588	$ 606	$ 193,194
Gross profit	97,070	(606)	96,464
Store opening costs	314	27	341
Interest expense, net	413	63	476
Income before income tax	30,030	(696)	29,334
Income tax expense	11,111	(258)	10,853
Net income	$ 18,919	$ (438)	$ 18,481
Basic and diluted earnings per share:			
Basic earnings per share	$ 1.00	$ (0.02)	$ 0.98
Diluted earnings per share	$ 0.91	$ (0.02)	$ 0.89

Thirteen weeks ended May 3, 2003	As Previously Reported	Adjustments	As Restated
Condensed Consolidated Statement of Income			
Cost of sales and related buying, occupancy and distribution expenses	$ 135,486	$ 202	$ 135,688
Gross profit	62,501	(202)	62,299
Store opening costs	509	141	650
Income before income tax	21,080	(343)	20,737
Income tax expense	7,694	(125)	7,569
Net income	$ 13,386	$ (218)	$ 13,168
Basic and diluted earnings per share:			
Basic earnings per share	$ 0.71	$ (0.01)	$ 0.70
Diluted earnings per share	$ 0.69	$ (0.02)	$ 0.67

Thirteen weeks ended May 1, 2004	As Previously Reported	Adjustments	As Restated
Consolidated Statement of Cash Flows			
Net income	$ 18,919	$ (438)	$ 18,481
Depreciation and amortization	7,729	799	8,528
Deferred income taxes	1,193	(258)	935
Construction allowance received from landlords	-	924	924
Increase (decrease) in accounts payable and other liabilities	4,178	(99)	4,079
Net cash provided by operating activities	42,203	928	43,131
Additions to property, equipment, and leasehold improvements	(5,381)	(924)	(6,305)
Net cash used in investing activities	(5,381)	(924)	(6,305)
Debt obligations	(237)	(4)	(241)
Net cash used in financing activities	$ (35,019)	$ (4)	$ (35,023)

Thirteen weeks ended May 3, 2003	As Previously Reported	Adjustments	As Restated
Consolidated Statement of Cash Flows			
Net income	$ 13,386	$ (218)	$ 13,168
Depreciation and amortization	5,122	269	5,391
Deferred income taxes	1,596	(125)	1,471
Construction allowance received from landlords	-	1,454	1,454
Increase (decrease) in accounts payable and other liabilities	(7,547)	74	(7,473)
Net cash provided by operating activities	29,230	1,454	30,684
Additions to property, equipment, and leasehold improvements	(4,242)	(1,454)	(5,696)
Net cash used in investing activities	$ (4,242)	$ (1,454)	$ (5,696)

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 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 if the Company had applied the fair value recognition provisions of 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	
	May 1, 2004	May 3, 2003
Net income, as reported	$ 18,481	$ 13,168
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(616)	(565)
Pro forma net income	$ 17,865	$ 12,603
Earnings per share:		
Basic - as reported	$ 0.98	$ 0.70
Basic - pro forma	0.94	0.67
Diluted - as reported	$ 0.89	$ 0.67
Diluted - pro forma	0.86	0.65

The following tables provides the significant weighted average assumptions used in the determination the estimated fair value under the Black-Scholes option-pricing model of each option granted in the first quarter of current and prior year.

	Thirteen Weeks Ended	
	May 1, 2004	May 3, 2003
Expected volatility	36.01%	41.52%
Risk free rate	1.94%	2.03%
Expected life of options (in years)	3.0	3.0
Expected dividend yield	0.00%	0.00%

4. Sale of Peebles' Private Label Credit Card Program

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.

5. Debt Obligations

Debt obligations consists of the following (in thousands):

	May 1, 2004	January 31, 2004
Revolving Credit Facility	$ -	$ 10,700
Capital and finance lease obligations	2,178	2,419
	2,178	13,119
Less: Current portion of debt obligations	406	400
	$ 1,772	$ 12,719

On August 21, 2003, the Company entered into a $175.0 million senior secured revolving credit facility (the "Revolving Credit Facility") that matures on 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 determined by a 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 supports the Company's outstanding letters of credit requirements, and is also used by the Company to provide financing for working capital, capital expenditures, interest payments and other general corporate purposes. The Company did not have any outstanding borrowings at May 1, 2004. Excess borrowing availability under the Revolving Credit Facility, net of letters of credit outstanding of $18.9 million, was $170.4 million at May 1, 2004. During the first quarter of 2004, the weighted average interest rate on outstanding borrowings and the average daily borrowings under the Revolving Credit Facility were 3.3% and $2.0 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 May 1, 2004, the Company was in compliance with all of the debt covenants of the Revolving Credit Facility.

At May 1, 2004, the Company had two capital lease obligations in the amount of $0.7 million, one of which is in the form of an industrial revenue bond. The annual principal payment required on this debt is $0.4 million per year, 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 May 1, 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, as well as all potentially dilutive common share equivalents outstanding. Stock options and warrants are the only potentially dilutive share equivalents the Company has outstanding.

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

	Thirteen weeks ended	
	May 1, 2004	May 3, 2003
Basic weighted average shares outstanding	18,925	18,877
Effect of dilutive securities:		
Stock options	1,053	526
Warrants	801	124
Diluted weighted average shares outstanding	20,779	19,527

The increase in the dilutive impact of stock options and warrants in the current year first quarter over the prior year first quarter is primarily due to the increase in the weighted average market price of the Company's common stock. The weighted average market price for the current and prior year first quarter was $37.07 and $19.79, 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 the stock options was greater than the weighted average market price of the Company's common stock for the current year first quarter (in thousands):

	Thirteen weeks ended	
	May 1, 2004	May 3, 2003
Number of anti-dilutive options outstanding	3	120

8. Stock Repurchase Program

On October 1, 2003, the Board approved a stock repurchase program authorizing the Company to buy, from time to time, up to $50.0 million of its common stock. Additional amounts of its outstanding common stock may also be repurchased using the proceeds that the Company receives from the exercise of options under its 2001 Equity Incentive Plan, including the tax benefits that will accrue to the Company from the exercise of these options. At May 1, 2004, $32.0 million was available to the Company for the stock repurchase, of which $17.1 million is related to stock option exercises.

9. 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	
	May 1, 2004	May 3, 2003
Service cost	$ 14	$ -
Interest cost	557	535
Expected return on plan assets	(550)	(451)
Net loss amortization	-	2
Net periodic pension cost	$ 21	$ 86

Employer Contribution

The Company expects to contribute approximately $2.0 million to its Retirement Plans in 2004. As of May 1, 2004, $0.6 million of contributions have been made.

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 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 for forward-looking statements 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 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 $0.4 million, or $0.02 per diluted share, and $0.2 million, or $0.02 per diluted share, for the thirteen weeks ended May 1, 2004 and May 3, 2003, respectively.

The cumulative impact of the corrections on the Company's May 1, 2004 condensed consolidated balance sheet is an increase in property, equipment and leasehold improvements of $10.0 million, an increase in deferred rent of $13.5 million, a decrease in deferred tax liability of $1.8 million, an increase in finance lease obligation of $1.5 million and a decrease in retained earnings of $3.2 million.

The impact of the corrections on the Company's condensed consolidated statements of cash flows for the thirteen weeks ended May 1, 2004 and May 3, 2003 is to increase "net cash provided by operating activities" by $0.9 million and $1.5 million, respectively, and to decrease "net cash used in investing activities" by $0.9 million and $1.5 million, respectively.

The condensed 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 May 1, 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 present capacity 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 current year first quarter results include the sales and earnings contribution from the acquired Peebles stores, but do not include any net credit income. Conversely, the prior year first quarter 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	
	May 1, 2004	May 3, 2003
Net sales	100.0 %	100.0 %
Cost of sales and related buying, occupancy and distribution expenses	66.7	68.5
Gross profit	33.3	31.5
Selling, general and administrative expenses	22.9	20.5
Store opening costs	0.1	0.3
Interest, net	0.1	0.2
Income before income tax*	10.1	10.5
Income tax expense	3.7	3.8
Net income*	6.4 %	6.7 %

*Totals may not foot due to rounding.

Thirteen Weeks Ended May 1, 2004 Compared to Thirteen Weeks Ended May 3, 2003

Sales for the thirteen weeks ended May 1, 2004 (the "current year first quarter") increased 46.3% to $289.7 million from $198.0 million for the thirteen weeks ended May 3, 2003 (the "prior year first quarter"). Comparable store sales increased 4.5% as compared to a decrease of 7.5% in the prior year first quarter. On a pro forma basis, including results for the Peebles stores, the decrease was 6.8% in the prior year first quarter. The increase in total sales primarily reflects the impact of sales from the Peebles stores, which contributed $70.4 million during the current year first quarter, as well as the impact of the 18 net new stores opened since the end of prior year first quarter, none of which were in the comparable store base during the current year first quarter. In its various merchandise categories, the Company achieved the largest comparable store sales increases during the current year first quarter in its special sizes, misses sportswear, accessories, outerwear and footwear departments. On a market population basis, the Company achieved overall comparable store sales increases during the current year first quarter in its small, mid-size and large markets store groups, with the strongest sales performance occurring in its smaller market group of stores.

Gross profit increased 54.7% to $96.5 million for the current year first quarter from $62.3 million for the prior year first quarter. Gross profit, as a percent of sales, was 33.3% in the current year first quarter and 31.5% in the prior year first quarter. Gross profit in the current year first quarter benefited from higher maintained merchandise margins associated with improved consumer demand for products and lower inventory shrink expense, partially offset by 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 18 net new stores that have been added since the end of prior year first quarter as well as certain store closure costs.

The following is a summary of the changes between the current year first quarter and the prior year first quarter in the components of cost of sales, expressed as a percent of sales:

	Increase (decrease) Quarter 1 2004	
Merchandise cost of sales	(2.2)	%
Shrink expense	(0.3)	
Buying, occupancy and distribution expenses	0.7	
Total cost of sales and related buying, occupancy and distribution expenses	(1.8)	%

Selling, general and administrative ("SG&A") expenses for the current year first quarter increased $25.8 million or 63.7% to $66.3 million from $40.5 million in the prior year first quarter and, as a percent of sales, increased to 22.9% from 20.5% in the comparable period last year. SG&A expenses for the current year first quarter increased from the prior year first quarter primarily as a result of the increase in the number of stores in operation in the current year first quarter, 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 first quarter as compared to the prior year first quarter. SG&A expenses in the prior year first quarter 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 first quarter was $6.4 million, or 3.2% of sales. SG&A expenses in the prior year first quarter, excluding the $6.4 million of Net Credit Income, would have been $46.9 million, or 23.7% of sales. As compared to the adjusted rate of 23.7% for the prior year first quarter, the current year first quarter's rate of 22.9% represents an improvement of 0.8%. The improvement is due to better overall leverage from this year's higher sales, as well as specific areas of improvement such as lower store payroll costs and advertising expenses. Advertising expenses benefited from the relatively lower advertising costs at the Peebles stores, as well as the marketing support received under the Company's Amended and Restated Program Agreement for private label credit card promotions. The favorable variances in these expense categories were offset somewhat by an increase over the prior year first quarter in incentive compensation expense, reflecting this year's performance versus the Company's internal targets for the current year first quarter.

Store opening costs in the current year first quarter of $0.3 million relate to the 6 new stores opened during the current year first quarter as compared to $0.7 million incurred in the prior year first quarter related to the eight new stores opened in the prior year first quarter.

Net interest expense was $0.5 million and $0.4 million in the first quarter of 2004 and 2003, respectively. 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 $10.9 million in the current year first quarter, as compared to income tax expense of $7.6 million in the prior year first quarter, during which its effective tax rate was 36.5%.

As a result of the foregoing, the Company had net income of $18.5 million for the current year first quarter as compared to net income of $13.2 million for the prior year first quarter, an increase of 40.2%.

Seasonality

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 first quarter, the Company's cash flow also benefited from the sale of the Peebles' private label credit card portfolio.

With the acquisition of Peebles, 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 (the "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 determined by a base 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 supports the Company's outstanding letters of credit requirements, and is also used by the Company to provide financing for working capital, capital expenditures, interest payments and other general corporate purposes. The Company did not have any outstanding borrowings at May 1, 2004. Excess borrowing availability under the Revolving Credit Facility, net of letters of credit outstanding of $18.9 million, was $170.4 million at May 1, 2004.

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 May 1, 2004, the Company was in compliance with all of the debt covenants of the Revolving Credit Facility.

The Company generated $43.1 million in cash provided from operating activities in the current year first quarter. In addition to the $34.8 million proceeds received from the sale of Peebles' private label credit card program, net income, adjusted for non-cash expenses such as depreciation, deferred tax, provision for bad debts and amortization of debt issue costs provided cash of approximately $28.4 million. Other operating cash flow changes used net cash of approximately $20.9 million which was primarily attributed to a $39.3 million increase in merchandise inventories and is reflective of the seasonal build of inventories.

On October 1, 2003, the Board of Directors authorized a $50 million Stock Repurchase Program. Under the $50.0 million Stock Repurchase Program, the Company may repurchase, up to the Board authorized amount, its outstanding common stock, from time to time, either on the open market or through privately negotiated transactions. The $50.0 million Stock Repurchase Program is being funded by the Company's cash flow and other liquidity sources. Additional amounts of its common stock may also be repurchased using the proceeds that the Company receives from the exercise of options under its 2001 Equity Incentive Plan, including the tax benefits that will accrue to the Company from the exercise of these options. Under its $50.0 million Stock Repurchase Program, during the current year first quarter, the Company purchased 722,756 shares of its common stock, at a cost of approximately $27.4 million. At May 1, 2004, $32.0 million was available to the Company for stock repurchases, of which $17.1 million was 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 $6.3 million in the current year first quarter as compared to $5.7 million in the prior year first quarter. Management currently estimates that capital expenditures will be approximately $40.0 to $45.0 million during 2004, principally for the opening of 15 to 20 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 May 1, 2004, there were no outstanding borrowings under the Company's Revolving Credit Facility. However, an increase in interest rates in the future may have a negative impact 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 May 1, 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 May 1, 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 May 1, 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 May 1, 2004, the Company did not have any new material legal proceedings brought against it, its subsidiaries or their properties. In addition, no material developments occurred in connection with any previously reported legal proceedings against the Company, its subsidiaries or their properties during the fiscal quarter ended May 1, 2004.

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)
February 1, 2004, to February 28, 2004	113,500	$34.62	113,500	$50,858,458
February 29, 2004, to April 3, 2004	327,200	$37.38	327,200	$39,281,127
April 4, 2004, to May 1, 2004	282,056	$39.83	282,056	$32,036,845
Total	722,756	$37.90	722,756	

(1) On October 7, 2003, the Company announced that the Board of Directors authorized a $50.0 million Stock Repurchase Program, which has no expiration date. Under the $50.0 million Stock Repurchase Program, the Company may repurchase, up to the Board authorized amount, its outstanding common stock, from time to time, either on the open market or through privately negotiated transactions. The $50.0 million Stock Repurchase Program is being funded by the Company's cash flow and other liquidity sources. Additional amounts of its common stock may also be repurchased using the proceeds that the Company receives from the exercise of options under its 2001 Equity Incentive Plan, including the tax benefits that will accrue to the Company from the exercise of these options.

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 AND REPORTS ON FORM 8-K

(a) 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
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Exchange Act
31.2*	Certification 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

(b) Reports on Form 8-K

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

On February 6, 2004, the Company filed an 8-K which reported under Items 7 and 12 that on February 5, 2004, the Company issued a news release announcing its sales for January 2004 and reaffirming fourth quarter earnings outlook. A copy of the news release is attached to the Form 8-K.

On March 5, 2004, the Company filed an 8-K which reported under Items 5 and 7 that on March 4, 2004, the Company issued a news release announcing the fourth quarter results release date and conference call information. A copy of the news release is attached to the Form 8-K.

On March 5, 2004, the Company filed an 8-K which reported under Items 7 and 12 that on March 4, 2004, the Company issued a news release announcing its sales for February 2004. A copy of the news release is attached to the Form 8-K.

On March 16, 2004, the Company filed an 8-K which reported under Items 5, 7 and 12 that on March 11, 2004, the Company issued a news release announcing results for the fourth quarter ended January 31, 2004, providing earnings guidance, and announcing the sale of Peebles private label credit card portfolio. A copy of the news release is attached to the Form 8-K.

On April 9, 2004, the Company filed an 8-K which reported under Items 7 and 12 that on April 8, 2004, the Company issued a news release announcing its sales for March 2004. A copy of the news release is attached to the Form 8-K.

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