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

FORM 10-K/A
(Amendment No. 1)

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

For the fiscal year ended January 28, 2006

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 No. 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)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock ($0.01 par value)	**NYSE**

Securities registered pursuant to Section 12(g) of the Act:

Title of each class	Name of each exchange on which registered
Series A Warrants (Expiration Date August 23, 2006)	**NASDAQ**
Series B Warrants (Expiration Date August 23, 2006)	**NASDAQ**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☑

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☑

As of July 30, 2005 (the last business day of the registrant's most recently completed second quarter), the aggregate market value of the voting common stock of the registrant held by non-affiliates of the registrant was $801,627,469 (based upon the closing price of the registrant's common stock as reported by NASDAQ on July 30, 2005). As of April 5, 2006, there were 26,613,717 shares of the registrant's common stock outstanding.

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 ☐

EXPLANATORY NOTE

This Form 10-K/A is being filed by Stage Stores, Inc. (the "Company") to amend the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2006, as filed with the Securities and Exchange Commission on April 13, 2006. This Form 10-K/A is being filed solely to correct the table in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation under "Contractual Obligations" on page 26 of the Form 10-K (page 12 of this Form 10-K/A). The corrections reduce each of the amounts in the lines captioned "Operating lease obligations" and "Total contractual cash obligations." Except for these changes to Item 7 of Part II, no other information included in the original report on Form 10-K is amended by this Form 10-K/A.

PART II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Forward Looking Statements

Certain statements in this Form 10-K 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 significant changes in economic conditions, including an economic downturn, employment levels in our markets, consumer confidence, energy and gasoline prices, and other factors influencing discretionary consumer spending. Other factors affecting the demand for apparel and sale volume include 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 connection with any forward-looking statements that may be made in this Form 10-K. Readers should carefully review this Form 10-K in its entirety, including but not limited to the Company's financial statements and the notes thereto and the risks described in Item 1A - "Risk Factors". 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.

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 January 28, 2006, the Company operated 550 stores located in 31 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, Midwestern and New England states. With an average store size of approximately 18,800 selling square feet, the Company's principal focus is on consumers in small and mid-size markets which the Company believes are under-served and less competitive. Utilizing a ten mile radius from each store, approximately 61% of the Company's stores are located in small towns and communities with populations below 50,000 people, while an additional 22% of the Company's stores are located in mid-sized communities with populations between 50,000 and 150,000 people. The remaining 17% of the Company's stores are located in metropolitan areas, such as Houston and San Antonio, Texas. The Company believes that it is able to differentiate itself from the competition in the small and mid-size communities 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 other 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 metropolitan 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 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 the Stage 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 (the beginning of the fourth quarter of 2003). 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. 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.

On February 27, 2006, the Company acquired privately held B.C. Moore & Sons, Incorporated ("B.C. Moore"). In purchasing B.C. Moore, the Company acquired 78 retail locations, which are located in small markets throughout Alabama, Georgia, North Carolina and South Carolina. The Company's integration plan calls for 69 of the acquired locations to be converted into Peebles stores, and the remaining 9 locations will be closed. The acquired B.C. Moore stores will go through several phases of operation during fiscal 2006. The stores will operate as usual until May, at which time, starting about every two weeks, a different group of stores will undertake inventory liquidation sales. Upon the completion of their liquidation activities, which should run for about four weeks, the stores will go dark. During this dark period, which should last for three to four weeks for each store, the 69 continuing stores will be remodeled as necessary, re-inventoried with Peebles merchandise assortments, new signs installed, and then reopened as Peebles stores. The grand openings of the 69 new Peebles stores will occur, also in phases, between mid-July and mid-October. The acquisition expands and strengthens the Company's position in the Southeastern United States, and is consistent with its corporate strategy of increasing the concentration of its store base into smaller markets.

The financial information, discussion and analysis that follow should be read in conjunction with the Company's Consolidated Financial Statements included elsewhere herein.

Results of Operations

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

	Fiscal Year		
	2005	2004	2003
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales and related buying, occupancy and distribution expenses	70.9	71.1	71.4
Gross profit margin	29.1	28.9	28.6
Selling, general and administrative expenses	22.1	22.0	20.6
Store opening costs	0.2	0.2	0.3
Interest, net	0.2	0.2	0.3
Income before income tax and gain on sale of the Stage Portfolio	6.6	6.5	7.4
Gain on sale of private label credit card portfolio, net	-	-	(1.3)
Income before income tax	6.6	6.5	8.7
Income tax expense	2.4	2.3	3.2
Net income *	4.2 %	4.2 %	5.5 %

* Totals may not foot due to rounding.

2005 Compared to 2004

Sales for 2005 increased 8.1% to $1,344.1 million from $1,243.9 million for 2004. The increase in total sales was a combination of the beneficial impact of the $64.6 million comparable store sales increases and $52.4 million additional sales generated by new stores not yet in the comparable stores base offset somewhat by the impact of closed stores.

Comparable store sales increase (decrease) by quarter are presented below.

	Fiscal Year	
	2005	2004
1st Quarter	4.9 %	4.5 %
2nd Quarter	7.0	(3.2)
3rd Quarter	3.9	4.3
4th Quarter	5.6	4.0
Total Year	5.4	2.5

Comparable store sales, which are sales in stores that have been open at least fourteen months prior to the reporting period increased by 5.4% in the current year as compared to a 2.5% increase in the prior year. Sales results in the first half of 2005 benefited from an increased investment in selected categories of merchandise to support new initiatives as well as the increased investment in inventory at the Peebles stores as part of a program to increase sale productivity in those stores. In the current year third quarter, the Company's sales in its Gulf Coast region stores were negatively impacted during the periods of time that Hurricanes Katrina and Rita were making landfall, which was primarily in September. Beginning in October and throughout the fourth quarter, the Company experienced a significant sales rebound in the market area most impacted by the storms, as those affected by the storms replenished their wardrobes. In addition, the Company benefited in the current year fourth quarter from the sales of University of Texas football national championship related apparel.

The Company achieved comparable store sales gains in most of its key merchandise categories (i.e., those categories contributing greater than 5% of sales), namely special sizes, accessories, young men's, cosmetics & fragrances, men's, and misses sportswear. Conversely, the Company's outerwear, home & gifts and dresses & suits each had comparable store sales decreases. On a market population basis utilizing a ten mile radius from each store, the Company experienced positive comparable store sales results in all of its market stores. In its small market stores, or those in market areas of less than 50,000 people, comparable store sales increased 5.8%. In its mid-size market stores, or those in market areas of 50,000 to 150,000 people, comparable store sales increased 6.0%. In its large market stores, or those in market areas with populations greater than 150,000, comparable store sales increased 3.7%.

Gross profit increased 8.8% to $391.4 million for 2005 from $359.6 million for 2004. Gross profit, as a percent of sales, increased to 29.1% for 2005 from 28.9% for 2004. The increase in gross margin rate was due to improved merchandise margins, as the buying, store occupancy and distribution expenses were flat with the prior year. The following is a summary of the changes between the current year and the prior year in the components of cost of sales, expressed as a percent of sales:

	Increase (decrease) of the components of cost of sales				
	Quarter 1 2005	Quarter 2 2005	Quarter 3 2005	Quarter 4 2005	Full Year 2005
Merchandise cost of sales, including shrink expense	(0.3) %	(0.3) %	(0.1) %	(0.2) %	(0.2) %
Buying, occupancy and distribution expenses	-	(0.4)	-	0.3	-
Total cost of sales, and related buying, occupancy and distribution expenses	(0.3) %	(0.7) %	(0.1) %	0.1 %	(0.2) %

The decrease in buying, occupancy and distribution expenses in the second quarter was principally due to a $1.2 million reduction of estimated obligations to landlords for contingent rent and store real estate taxes. The increase in buying, occupancy and distribution expenses during the fourth quarter was principally driven by non-recurring costs, such as severance and lease termination costs, related to the closure of the Knoxville distribution center.

Selling, general and administrative ("SG&A") expenses for 2005 increased 8.1% to $296.5 million from $274.3 in 2004 and, as a percent of sales, increased to 22.1% from 22.0% in 2004. SG&A expenses for the current year increased from the prior year primarily as a result of higher sales, increases in the number of stores in operation in the current year, and increased advertising costs. The increase in SG&A expenses for the current year included charges of $2.7 million due under employment agreements for payments associated with the continuing consolidation of the Peebles management and operation functions. SG&A also included an increase of $3.2 million in incentive compensation over the prior year. The increase in incentive compensation is reflective of the operating results in each year as compared to the Company's targeted operating results for each of the respective years.

These above increases were somewhat offset by a $3.0 million credit to SG&A expense in 2005 that resulted from the reduction in the previously recorded liability associated with the sale of the Peebles private label credit card portfolio in March 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 "Amended and Restated Program Agreement"), 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 during the first three years after the sale (the "measurement period"), with a calculation of the cumulative amount due related to this obligation on each of the first three anniversary dates of the agreement. At the time of the sale, an estimated liability of $3.5 million was recorded for this potential obligation. The Company paid the Bank approximately $0.5 million on the initial anniversary date after the sale, which reduced the recorded liability to $3.0 million, as a result of the actual net portfolio yield falling below the defined net portfolio yield during the initial year of the measurement period. Based on the improving trend in the actual net portfolio yield during 2005, the Company recorded a benefit of $3.0 million to reverse the remaining recorded liability related to the Peebles private label credit card portfolio. As a result of the improvement in the portfolio yield, the Company also expects to receive back the $0.5 million paid on the first anniversary date as well as excess collected yield above the defined portfolio yield performance under a 50% sharing arrangement provided under terms of the Amended and Restated Program Agreement through the third and final measurement period in March 2007. While the Company expects to receive approximately $1.3 million in April 2006 related to the second anniversary measurement period, the Company will not recognize any additional benefit under the Amended and Restated Program Agreement, including recovery of the previously paid $0.5 million, until the third year anniversary date, as this is considered a gain contingency.

SG&A expenses were also impacted by an increase in the premium received associated with sales generated by use of the Stage division private label credit card. Beginning in October 1, 2004, under terms of the Amended and Restated Program Agreement, the Company receives a premium or pays a discount on sales generated using the Stage division private label credit card, based on the performance of the Stage portfolio that was sold in September 2003. The Company realized $4.9 million and $1.9 million of premium on Stage division credit sales under the Amended and Restated Program Agreement related to this agreement during 2005 and 2004, respectively.

Store opening costs in 2005 of $3.2 million, which include expenses associated with the rent holiday on new and relocated stores, relate to the 36 new stores opened and the 16 stores relocated during the current year. Store opening costs of $2.2 million incurred in 2004 relate to the 22 new stores opened and the six stores relocated during the prior year.

Net interest expense for 2005 increased 20% to $3.0 million for the current year from $2.5 million in 2004. The increase is reflective of higher borrowings related to an increase in capital expenditures, continued stock repurchase activity and seasonal borrowings, as well as a weighted average interest rate increase from 3.5% in 2004 to 5.6% in 2005. Interest expense is comprised of interest on borrowings under the Company's Revolving Credit Facility, letters of credit and commitment fees, amortization of debt issue costs and interest on capital and finance lease obligations.

The Company's effective tax rate in 2005 was 37%, resulting in income tax expense of $32.8 million in the current year, as compared to income tax expense of $29.2 million in the prior year, during which its effective tax rate was 36.25%. The Company's effective tax rate is currently estimated to be 37.25% in 2006.

As a result of the foregoing, the Company had net income of $55.9 million for 2005 as compared to net income of $51.4 million for 2004, an increase of 8.8%.

2004 Compared to 2003

Sales for 2004 increased 27.9% to $1,243.9 million from $972.2 million for 2003. The increase in total sales primarily reflects the impact of sales from the Peebles stores, which contributed $222.4 million in incremental sales as compared to 2003.

Comparable store sales increase (decrease) by quarter, which include comparable store sales for the Peebles stores in both years, are presented below.

	Fiscal Year	
	2004	2003
1st Quarter	4.5 %	(6.8) %
2nd Quarter	(3.2)	(2.4)
3rd Quarter	4.3	(6.0)
4th Quarter	4.0	(0.6)
Total Year	2.5	(3.7)

Comparable store sales, which are sales in stores that have been open at least fourteen months prior to the reporting period and include comparable store sales for the Peebles stores in both years, increased by 2.5% in 2004 as compared to a 3.7% decrease in 2003. Comparable store sales during 2004 are reflective of a better overall economic environment in the Company's markets as compared to 2003. In addition, the Company increased its investment in selected categories of merchandise to support new initiatives and in the fourth quarter, increased the level of investment in inventory at the Peebles stores as part of a program to increase sales productivity in those stores. The year-over-year change in comparable store sales results in the second and third quarters of 2004 reflects the impact of the calendar shift of the Texas sales tax holiday weekend promotional event from the final week of the second quarter in 2003 to the first week of the third quarter in 2004.

The Company achieved comparable store sales gains in most of its key merchandise categories (i.e., those categories contributing greater than 5% of sales), namely special sizes, misses sportswear, accessories, shoes, men's, children's and cosmetics. Conversely, the Company's young men's and juniors departments each had comparable store sales decreases. On a market population basis utilizing a ten mile radius from each store, the Company experienced the largest positive comparable store sales results in its small market stores. In its small market stores, or those in market areas of less than 50,000 people, comparable store sales increased 4.4%. In its mid-size market stores, or those in market areas of 50,000 to 150,000 people, comparable store sales decreased 0.2% primarily due to the introduction of new competition in these markets. In its large market stores, or those in market areas with populations greater than 150,000, comparable store sales increased 1.2%.

Gross profit increased 29.3% to $359.6 million for 2004 from $278.1 million for 2003. Gross profit, as a percent of sales, increased to 28.9% for 2004 from 28.6% for 2003. The following is a summary of the changes between 2004 and 2003 in the components of cost of sales, expressed as a percent of sales:

	Increase (decrease) of the components of cost of sales				
	Quarter 1 2004	Quarter 2 2004	Quarter 3 2004	Quarter 4 2004	Full Year 2004
Merchandise cost of sales, including shrink expenses	(2.5) %	1.3 %	(2.3) %	0.5 %	(0.9) %
Buying, occupancy and distribution expense	0.7	0.7	0.6	0.1	0.6
Total cost of sales, and related buying, occupancy and distribution expenses	(1.8) %	2.0 %	(1.7) %	0.6 %	(0.3) %

The lower merchandise cost of sales resulted in higher maintained merchandise margins in 2004, which reflects a combination of improved consumer demand for products in the first quarter and the higher contribution by the Peebles stores in the third quarter, partly offset by a higher level of markdowns in the second quarter and higher shrink expense in the fourth quarter. The increase in buying, occupancy and distribution expenses was principally driven by higher costs of operations of the South Hill and Knoxville distribution centers, as well as higher rent, taxes, common area charges and incremental depreciation expense associated with the inclusion of the Peebles stores in 2004 results and the eleven net new stores that have been added since the end 2003.

Selling, general and administrative expenses for 2004 increased 36.7% to $274.3 million from $200.7 in 2003 and, as a percent of sales, increased to 22.0% from 20.6% in 2004. SG&A expenses for 2004 increased from 2003 primarily as a result of the increase in the number of stores in operation in 2004, including the acquired Peebles stores, and the fact that there was no net credit income from the Stage Portfolio in 2004 as compared to 2003. SG&A expenses in 2003 included, as an offset to SG&A expenses, the net income contribution from the Stage portfolio 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 2003 was $13.6 million, or 1.4% of sales. SG&A expenses in 2003, excluding the $13.6 million of Net Credit Income, would have been $214.3 million, or 22.0% of sales, the same as the 2004 rate.

Store opening costs in 2004 of $2.2 million, which include expenses associated with the rent holiday on new and relocated stores, relate to the 22 new stores opened and the six stores relocated during 2004 year. Store opening costs of $3.1 million incurred in 2003 relate to the 34 new stores opened and the eight stores relocated during 2003.

Net interest expense for 2004 of $2.5 million was consistent with 2003. 2003 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 2004 is comprised of interest on borrowings under the Company’s Revolving Credit Facility (as defined below), letters of credit and commitment fees, amortization of debt issue costs, and interest on capital and finance lease obligations. The Company's primary source of funding is its Revolving Credit Facility, as discussed in "Liquidity and Capital Resources."

The Company realized a gain of $12.2 million on the sale of the Stage Portfolio, which was recognized in the third quarter of 2003. The Company had no such gain in 2004.

The Company's effective tax rate in 2004 was 36.25%, resulting in income tax expense of $29.2 million in 2004, as compared to income tax expense of $30.7 million in 2003, during which its effective tax rate was 36.5%.

As a result of the foregoing, the Company had net income of $51.4 million for the 2004 as compared to net income of $53.4 million for 2003, a decrease of 3.7%.

Seasonality and Inflation

Historically, the Company's business is seasonal and sales traditionally are lower during the first three quarters of the fiscal year (February through October) and higher during the last quarter of the fiscal year (November through January). The fourth quarter usually accounts for slightly more than 30% of the Company's annual sales, with the other quarters accounting for approximately 22% to 24% each. Working capital requirements fluctuate during the year and generally reach their highest levels during the third and fourth quarters. The Company does not believe that inflation had a material effect on its results of operations during the past three years. However, there can be no assurance that the Company's business will not be affected by inflation in the future.

The following table shows quarterly information (unaudited) for the Company (in thousands, except per share amounts):

	Fiscal Year 2005			
	Q1	Q2	Q3	Q4
Net sales	$ 310,060	$ 309,430	$ 306,044	$ 418,566
Gross profit	104,162	82,769	90,715	113,774
Net income	$ 20,522	$ 6,513	$ 9,146	$ 19,706
Basic earnings per common share	$ 0.75	$ 0.24	$ 0.34	$ 0.74
Diluted earnings per common share	$ 0.68	$ 0.22	$ 0.31	$ 0.68
Basic weighted average shares	27,467	27,225	27,030	26,462
Diluted weighted average shares	29,973	29,819	29,502	28,936

	Fiscal Year 2004			
	Q1	Q2	Q3	Q4
Net sales	$ 289,658	$ 279,872	$ 285,296	$ 389,025
Gross profit	96,464	72,662	84,126	106,308
Net income	$ 18,481	$ 5,397	$ 8,900	$ 18,610
Basic earnings per common share	$ 0.65	$ 0.20	$ 0.33	$ 0.68
Diluted earnings per common share	$ 0.59	$ 0.18	$ 0.30	$ 0.62
Basic weighted average shares	28,388	27,291	26,795	27,224
Diluted weighted average shares	31,169	30,024	29,231	29,778

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.

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 Company had no outstanding borrowings at January 28, 2006. Excess borrowing availability under the Revolving Credit Facility, net of letters of credit outstanding of $13.4 million, was $166.3 million at January 28, 2006. During 2005, the weighted average interest rate on outstanding borrowings and the average daily borrowings under the Revolving Credit Facility were 5.6% and $19.1 million, respectively.

The Revolving Credit Facility contains covenants which, among other things, restrict, based on required levels of excess availability, (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 January 28, 2006, the Company was in compliance with all of the debt covenants of the Revolving Credit Facility.

The Company had $106.0 million in cash provided from operating activities in the 2005. Net income, adjusted for income tax benefits related to stock options exercised and for non-cash expenses such as depreciation, deferred income tax expense, amortization of debt issue costs, and deferred stock compensation, provided cash of approximately $102.6 million.

Other operating cash flow changes used net cash of approximately $3.4 million. Other operating cash flows reflect a use of cash of $2.1 million for the increase in inventory during 2005 as compared to $21.9 million use of cash in 2004. The use of cash for inventory in 2005 was the result of total selling square footage increases being offset by a temporary decline in inventory levels as compared to 2004 due to later receipt of merchandise caused in part by the later timing of the Easter holiday in 2006. The cash used in 2004 is reflective of the planned increase in the investment in selected categories of merchandise to support new sales initiatives, the planned increase in the level of investment in inventory in the Peebles stores as part of a program to increase sales productivity in those stores and the increase associated with new store openings. Other operating cash flows included construction allowances of $13.3 million and $3.1 million in 2005 and 2004, respectively. Other operating cash flows also included the use of cash of $17.9 million for the increase in other assets in 2005 as compared to a $1.7 million decrease in other assets in 2004. The increase in 2005 was primarily due to an increase in receivables from landlords and merchandise vendors and investments held in trust for deferred compensation plans.

On February 27, 2006, the Company acquired privately held B.C. Moore & Sons, Incorporated (“B.C. Moore”). In purchasing B.C. Moore, the Company acquired 78 retail locations, which are located in small markets throughout Alabama, Georgia, North Carolina and South Carolina. The Company’s integration plan calls for 69 of the acquired locations to be converted into Peebles stores, and the remaining 9 locations will be closed. The acquired B.C. Moore stores will go through several phases of operation during fiscal 2006. The stores will operate as usual until May, at which time, starting about every 2 weeks, a different group of stores will undertake inventory liquidation sales. Upon the completion of their liquidation activities, which should run for about four weeks, the stores will go dark. During this dark period, which should last for three to four weeks for each store, the 69 continuing stores will be remodeled as necessary, re-inventoried with Peebles merchandise assortments, new signs installed, and then reopened as Peebles stores. The grand openings of the 69 new Peebles stores will occur, also in phases, between mid-July and mid-October. The acquisition expands and strengthens the Company’s position in the Southeastern United States, and is consistent with its corporate strategy of increasing the concentration of its store base into smaller markets.

During 2005, the Company repurchased approximately 1,823,000 shares of its common stock at a cost of approximately $48.7 million, which included the completion of the $30.0 million 2005 Stock Repurchase Program and $18.7 million funded using the proceeds from the exercise of employee stock options. At April 5, 2006, approximately $8.1 million was available to the Company for stock repurchases with proceeds from the exercise of employee stock options.

The Company initiated a quarterly cash dividend of 2.5 cents per share during the 2005 fiscal year. The total dividend payments were $0.7 million in each of the third and fourth quarters. While the Company expects to continue payment of quarterly dividends, the declaration and payment of future dividends by the Company are subject to the discretion of the Board. Any future determination to pay dividends will depend on the Company's results of operations and financial condition, as well as meeting certain criteria under its Revolving Credit Facility and other factors deemed relevant by the Board.

Capital expenditures were $75.2 million in 2005 as compared to $47.9 million in 2004. The Company opened 36 new stores and relocated 16 stores in 2005 as compared to 22 stores opened and six stores relocated in 2004. The Company received construction allowances from landlords of $13.3 million in 2005 and $3.1 million in 2004 to fund a portion of the capital expenditures related to store leasehold improvements in new and relocated stores. These funds have been recorded as a deferred rent credit in the balance sheet and will be recorded as an offset to rent expense over the lease term commencing with the date the allowances were earned. In 2005, the increase in expenditures primarily relates to the increased store activity as well as the $12.1 million investment associated with the installation of new sortation equipment and a new warehouse management system in the South Hill, Virginia, facility and conversion of the Peebles merchandise management systems from the “legacy” system to the Retek merchandise management system used in Houston. The facility upgrades at the South Hill facility were made to increase capacity and productivity of that distribution center after the Company closed the Knoxville, Tennessee distribution center. The Company also purchased a second aircraft at a cost of $3.1 million to support increased store visitation and expanded new store growth activity.

Management currently estimates capital expenditures net of construction allowances to be received from landlords in 2006 will be approximately $68.0 million. The expenditures will be for the opening of 35 to 40 new organic stores, remodels and relocations of existing stores as well as expenditures related to remodeling 69 stores recently acquired from B.C. Moore. Capacity will also be increased at the Jacksonville distribution facility to support future store growth by adding to the existing sortation and other related equipment.

Contractual Obligations

The Company has numerous contractual commitments for purchases of merchandise inventories, services arising in the ordinary course of business, letters of credit, Revolving Credit Facility service and leases. Presented below is a summary of the Company's contractual obligations as of January 28, 2006 (in thousands). These items are discussed in further detail in Note 5 “Debt Obligations” and Note 9 "Operating Leases" to the consolidated financial statements.

		Payment Due by Period			
Contractual Obligations	Total	Less Than One Year	1-3 Years	4-5 Years	More than 5 Years
Revolving Credit Facility (1)	$ -	$ -	$ -	$ -	$ -
Documentary letters of credit (2)	3,758	3,758	-	-	-
Capital and finance lease obligations	3,053	74	303	293	2,383
Operating lease obligations (undiscounted) (3)	245,744	44,702	70,124	49,606	81,312
Other purchase obligations (4)	20,949	11,779	9,033	137	-
Total contractual cash obligations	$ 273,504	$ 60,313	$ 79,460	$ 50,036	$ 83,695

(1) The Company had no outstanding borrowings at January 28, 2006. The Revolving Credit Facility matures August 21, 2008. Borrowings and repayments will occur in future periods.

(2) These documentary letters of credit support the importing of private label merchandise. The Company also had outstanding stand-by letters of credit that totaled approximately $9.6 million at January 28, 2006, of which $7.3 million were also issued in support of importing the Company's private label merchandise. The remaining stand-by letters of credit of $2.3 million are required to collateralize retained risks and deductibles under various insurance programs. The estimated liability that will be paid in cash related to stand-by letters of credit supporting insurance programs are reflected in accrued expenses. If the Company failed to make payments when due, the beneficiaries of letters of credit could make demand for payment under the letters of credit.

(3) The Company has certain operating leases with provisions for step rent or escalation payments. The Company records rent expense on a straight-line basis, evenly dividing rent expense over the lease term, including the build-out period, if any, and where appropriate, applicable available lease renewal option periods. However, this accounting treatment does not affect the future annual operating lease cash obligations as shown herein. The Company records construction allowances from landlords as a deferred rent credit when earned in the Consolidated Balance Sheets. Such deferred rent credit is amortized over the related term of the lease, commencing with the date the Company earns the construction allowance, as a reduction of rent expense.

Certain leases provide for contingent rents that are not measurable at inception. These contingent rents are primarily based on a percentage of sales that are in excess of a predetermined level. These amounts are excluded from minimum rent and are included in the determination of total rent expense when it is probable that the expense has been incurred and the amount is reasonably estimable.

(4) Other purchase obligations include legally binding contacts such as firm commitments for utility purchases, capital expenditures, software acquisition/license commitments and legally binding service contracts. For the purposes of this table, contractual obligations for purchase of goods or services are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. If the obligation to purchase goods or services is noncancelable, the entire value of the contract was included in the above table. If the obligation is cancelable, but the Company would incur a penalty if cancelled, the dollar amount of the penalty was included as an “other purchase obligation.” The Company fully expects to receive the benefits of the goods or services in connection with fulfilling its obligation under these agreements. The expected timing for payment of the obligations discussed above is estimated based on current information. Timing of payments and actual amounts paid

may be different depending on the timing of receipt of goods or services or changes to agreed upon amounts for some obligations.

In the ordinary course of business, the Company enters into arrangements with vendors to purchase merchandise typically up to six months in advance of expected delivery. These purchase orders do not contain any significant termination payments or other penalties if cancelled. As of January 28, 2006, the Company had outstanding purchase orders of $271.7 million.

The Company’s funding policy is to make contributions to maintain the minimum funding requirements for its pension obligations in accordance with the Employee Retirement Income Security Act. The Company may elect to contribute additional amounts to maintain a level of funding to minimize the Pension Benefit Guaranty Corporation premium costs or to cover short-term liquidity needs of the plans in order to maintain current invested positions. The Company expects to contribute between $0.2 to $2.0 million during 2006.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The primary estimates underlying the Company's consolidated financial statements include the valuation of inventory, the estimated useful life of property, equipment and leasehold improvements, the valuation of goodwill and intangible asset, the reserve for sales returns, the valuation of deferred tax assets, self-insurance reserves and estimated liability for pension obligations. The Company cautions that future events rarely develop exactly as forecast, and the best estimates routinely require adjustment. Therefore, actual results could differ from these estimates. Management bases its estimates on historical experience and on various assumptions which are believed to be reasonable under the circumstances. The following critical accounting policies affect the Company's more significant judgment and estimates used in the preparation of its financial statements.

Inventory valuation. The Company values its inventory using the retail method of accounting. Retail accounting involves applying a calculated cost-to-retail ratio to the Company's retail value of inventories. Based on a review of historical clearance markdowns, current business trends, planned clearance promotion events and the level of ownership of clearance merchandise, an adjustment to inventory is recorded to reflect additional markdowns which are estimated to be necessary to liquidate existing clearance inventories and reduce inventories to the lower of cost or market. Management believes that the Company's inventory valuation approximates the net realizable value of clearance inventory and results in carrying inventory at the lower of cost or market.

Vendor allowances. The Company receives consideration from its merchandise vendors in the form of allowances and reimbursements. Given the promotional nature of the Company’s business, the allowances are generally intended to offset the Company’s costs of handling, promoting, advertising and selling the vendors’ products in its stores. Vendor allowances are recognized as a reduction of cost of goods sold or related selling expense when the purpose for which the vendor funds were intended to be used has been fulfilled.

Property, equipment and leasehold improvements: Additions to property, equipment and leasehold improvements are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Property, equipment and leasehold improvements acquired through the acquisition of Peebles have been recorded at estimated fair market values as of the date of acquisition. The estimated useful lives of leasehold improvements do not exceed the term of the related lease, including applicable available renewal options where appropriate. The estimated useful lives in years are generally as follows:

Buildings & improvements	20
Store and office fixtures and equipment	5-10
Warehouse equipment	5-15
Leasehold improvements- stores	5-12.5
Leasehold improvements- corporate office	20

Impairment of long-lived assets. Property, plant and equipment and other long-lived assets, including acquired definite-lived intangibles and other assets, are reviewed to determine whether any events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. For long-lived assets to be held and used, the Company bases its evaluation on impairment indicators such as the nature of the assets physical condition, the future economic benefit of the asset, any historical or future profitability measurements and other external market conditions or factors that may be present. If such impairment indicators are present or other factors exist that indicate the carrying amount of the asset may not be recoverable, the Company determines whether an impairment has occurred through the use of an undiscounted cash flows analysis of the asset at the lowest level for which identifiable cash flows exist. If an impairment has occurred, the Company recognizes a loss for the difference between the carrying amount and the estimated fair value of the asset. Management's judgment is necessary to estimate fair value. Accordingly, actual results could vary from those estimates.

Business combination and goodwill. Goodwill represents the excess of consideration over the fair value of tangible and intangible net assets acquired in connection with the Acquisition. Certain assumptions and estimates are employed in determining the fair value of assets acquired and the fair value of liabilities assumed. The value of goodwill at January 28, 2006 was $79.4 million.

Intangible asset. In connection with the Acquisition, other intangible assets separate and apart from goodwill are required to be recognized if such assets arise from contractual or other legal rights or if such assets are separable from the acquired business. Determining a fair value for such items requires a high degree of judgment, assumptions and estimates. As a part of the Acquisition, the Company acquired the rights to the tradename and trademark (collectively the “Tradename”) of “Peebles”, which was identified as an indefinite life intangible. The value of the Tradename, which was determined at the time of the Acquisition, was $14.9 million.

Impairment of goodwill and intangible asset. Goodwill and intangible asset are not amortized but are to be tested for impairment annually or more frequently when indicators of impairment exist. The impairment test is subject to change from period to period as it requires management to make cash flow assumptions including, among other things, future margins, volumes of sales, operating costs and discount rates. Such assumptions can fluctuate each period. The Company is also exposed to the possibility that changes in market conditions could result in impairment charges.

Revenue recognition. Revenue from sales is recognized at the time of sale, net of any returns. A reserve is maintained for the estimated merchandise returns based on historical return percentages and gross margin rates.

Deferred taxes. At January 28, 2006, the Company has net deferred tax assets of approximately $14.4 million (see Note 10 to the Consolidated Financial Statements). This amount is net of a valuation allowance of approximately $2.2 million recorded against the deferred tax assets. The Company's ability to realize the benefits of these deferred tax assets is dependent on the Company's ability to generate future taxable income and utilize net operating losses prior to expiration.

Self-insurance reserves. The Company maintains self-insurance retentions with respect to general liability, workers compensation and health benefits for its employees. The Company estimates the accruals for the liabilities based on industry development factors and historical claim trend experience. Although management believes adequate reserves have been provided for expected liabilities arising from the Company's self-insured obligations, projections of future losses are inherently uncertain, and it is reasonably possible that estimates of these liabilities will change over the near term as circumstances develop.

Frozen defined benefit plans. The plans' obligations and related assets are presented in Note 8 to the consolidated financial statements. The plans' assets are invested in a combination of equity and debt securities. Plans' obligations and the annual pension expense are determined by independent actuaries using a number of assumptions. Key assumptions in measuring the plans' obligations include the discount rate applied to future benefit obligations and the estimated future return on plans' assets. At January 28, 2006 assumptions used were a weighted average discount rate of 5.5% and a weighted average long-term rate of return on plans' assets of 7.9%.

Recent Accounting Standards and Disclosures

In March 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 156, "*Accounting for Servicing of Financial Assets – an amendment of FASB Statement No. 140.*" SFAS No. 156 amends SFAS 140, "*Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.*" SFAS 156 requires an entity to separately recognize financial assets as servicing assets or servicing entities each time it undertakes an obligation to service a financial asset by entering into certain kinds of servicing contracts. The entity must also initially measure all separately recognized servicing assets and servicing liabilities at fair value, if practicable. Servicing assets and servicing liabilities subsequently measured at fair value must be separately presented in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities. SFAS 156 is effective for the Company's fiscal year beginning February 4, 2007. The Company does not expect this statement to have a material impact on its consolidated financial statements.

In February 2006, the FASB issued SFAS No. 155, *"Accounting for Certain Hybrid Financial Instruments — an amendment of FASB Statements No. 133 and 140."* SFAS 155 amends SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities,*" and SFAS No. 140, *"Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities."* This Statement also resolves issues addressed in Statement No. 133 Implementation Issue No. D1, *"Application of Statement 133 to Beneficial Interests in Securitized Financial Assets."* SFAS 155 permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation and clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS 133. SFAS 140 is amended to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS 155 is effective for all financial instruments acquired or issued during fiscal years beginning after September 15, 2006. The Company does not expect this statement to have a material impact on its consolidated financial statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections – a Replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS 154"). SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle and corrections of errors. SFAS 154 is effective for fiscal years beginning after December 15, 2005.

On December 16, 2004, the FASB issued Statement No. 123 of Financial Accounting Standards (revised 2004) ("SFAS 123(R)"), "*Share Based Payment*," which is a revision of SFAS No. 123, "*Accounting for Stock-Based Compensation*" and is effective for reporting periods beginning after June 15, 2005. On April 14, 2005, the SEC announced the effective date of SFAS 123(R) was deferred until the beginning of the next fiscal year after June 15, 2005. SFAS 123(R) supersedes Accounting Principles Board Opinion No. 25, "*Accounting for Stock Issued to Employees,*" and amends SFAS No. 95, "*Statement of Cash Flows*". Generally, the approach in SFAS 123(R) is similar to the approach described in SFAS 123. However, SFAS 123(R) requires an entity to recognize compensation expense in an amount equal to the fair value of share-based payments granted to employees. The Company will adopt SFAS 123(R) in the first quarter of 2006 and apply the standard using the modified prospective method, which requires compensation expense to be recorded for remaining unvested stock awards as of the effective date and for new awards issued thereafter. Prior periods presented are not required to be restated. The Company estimates the adoption of SFAS No. 123(R) will reduce diluted earnings per share during fiscal 2006 by $0.05 for stock awards outstanding as of January 28, 2006. The amount of the impact would increase for any grants made after January 28, 2006.

In November 2004, the FASB issued SFAS No. 151 ("SFAS 151"), "*Inventory Costs an Amendment of ARB No. 43, Chapter 4."* SFAS 151 clarifies the accounting for abnormal amounts of idle facility expense freight, handling costs and wasted material and requires that these items be recognized as current period charges. SFAS 151 applies only to inventory costs incurred during periods beginning after the effective date and also requires that the allocation of fixed production overhead to conversion costs be based on the normal capacity of the production facilities. SFAS 151 is effective for the reporting period beginning December 1, 2005. The adoption of SFAS 151 did not have a material impact on the Company's results of operations or financial position or cash flows.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit Number	Description
31.1*	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.
32*	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.

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* Filed electronically herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

/s/ James R. Scarborough — April 28, 2006
James R. Scarborough
Chief Executive Officer
(Principal Executive Officer)

STAGE STORES, INC.

/s/ Michael E. McCreery — April 28, 2006
Michael E. McCreery
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

* Scott Davido	Director	April 28, 2006
* Michael Glazer	Director	April 28, 2006
/s/ Michael E. McCreery Michael E. McCreery	Director	April 28, 2006
* John Mentzer	Director	April 28, 2006
* Margaret Monaco	Director	April 28, 2006
* William Montgoris	Director	April 28, 2006
* Sharon Mosse	Director	April 28, 2006
* Walter Salmon	Director	April 28, 2006
/s/ James R. Scarborough James R. Scarborough	Director	April 28, 2006

(Constituting a majority of the Board of Directors)

*By: /s/ Michael E. McCreery
Michael E. McCreery
Attorney-in-Fact