

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
450 Fifth Street NW
Washington, D.C. 29549**

Form 8-K

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

Date of Report (Date of earliest event reported): May 16, 2006

THE CATO CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction
of Incorporation)

1-31340

(Commission
File Number)

56-0484485

(I.R.S. Employer
Identification Number)

8100 Denmark Road, Charlotte, North Carolina

(Address of Principal Executive Offices)

28273-5975

(Zip Code)

(704) 554-8510

(Registrant's telephone number, including area code)

Not Applicable

(Former Name or Former Address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

THE CATO CORPORATION

Item 2.02. Results of Operations and Financial Condition.

On May 16, 2006, The Cato Corporation issued a press release regarding its financial results for the first quarter ending April 29, 2006. A copy of this press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit 99.1 — Press Release issued May 16, 2006.

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 hereunto duly authorized.

THE CATO CORPORATION

May 18, 2006
Date

/s/ John P. D. Cato
John P. D. Cato
Chairman, President and
Chief Executive Officer

May 18, 2006
Date

/s/ Reynolds C. Faulkner
Reynolds C. Faulkner
Executive Vice President
Chief Financial Officer

Exhibit Index

<u>Exhibit</u>	<u>Exhibit No.</u>
Press Release issued May 16, 2006	99.1



NEWS RELEASE

FOR IMMEDIATE RELEASE

CEO Approval_____

For Further Information Contact:

Stuart Uselton
Vice President
Treasurer
704-940-7832

**CATO REPORTS 1Q EPS UP 12%
Provides 2Q Guidance**

Charlotte, NC (May 16, 2006) — The Cato Corporation (NYSE: CTR) today reported net income of \$20.8 million or \$.65 per diluted share for the first quarter ended April 29, 2006, compared to net income of \$18.4 million or \$.58 per diluted share for the first quarter ended April 30, 2005. Net income increased 13% and earnings per diluted share increased 12% from the prior year. Sales for the first quarter were \$229.7 million, a 7% increase over sales of \$215.1 million for the first quarter last year. The Company's first quarter comparable store sales increased 2%.

"Our first quarter results slightly exceeded our revised EPS range of \$.62 to \$.64," said John Cato, Chairman, President, and Chief Executive Officer. "Gross margin improved over the prior year due to better sell-throughs. We expect second quarter earnings per diluted share to be in the range of \$.34 to \$.37 versus \$.34 last year. For the year, we are estimating earnings per diluted share to be in the range of \$1.57 to \$1.63 versus \$1.41 last year. Comparable store sales are estimated to be in the range of flat to up 2% for the second quarter and balance of the year."

During the first quarter, the Company opened 11 stores, relocated seven stores, and closed three stores. As of April 29, 2006, the Company operated 1,252 stores in 31 states, compared to 1,188 stores in 31 states as of April 30, 2005.

8100 Denmark Road
P. O. Box 34216
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(704) 554-8510

The Cato Corporation is a leading specialty retailer of value-priced women's fashion apparel operating two divisions, "Cato" and "It's Fashion!". The Company offers exclusive merchandise with fashion and quality comparable to mall specialty stores at low prices, every day. Additional information on The Cato Corporation is available at www.catocorp.com.

Statements in this press release not historical in nature including, without limitation, statements regarding the Company's expected financial results for the second quarter and year 2006 are considered "forward-looking" within the meaning of The Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current expectations that are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those contemplated by the forward-looking statements. Such factors include, but are not limited to, the following: general economic conditions; competitive factors and pricing pressures; the Company's ability to predict fashion trends; consumer apparel buying patterns; adverse weather conditions and inventory risks due to shifts in market demand. The Company does not undertake to publicly update or revise the forward-looking statements even if experience or future changes make it clear that the projected results expressed or implied therein will not be realized. The Company is not responsible for any changes made to this press release by wire or Internet services.

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THE CATO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
FOR THE PERIODS ENDED APRIL 29, 2006 AND APRIL 30, 2005
(Dollars in thousands, except per share data)

	Quarter Ended			
	April 29, 2006	% Sales	April 30, 2005	% Sales
REVENUES				
Retail sales	\$ 229,741	100.0%	\$ 215,064	100.0%
Other income (principally finance, late fees and layaway charges)	3,319	1.5%	3,863	1.8%
Total revenues	233,060	101.5%	218,927	101.8%
GROSS MARGIN (Memo)	87,628	38.2%	78,630	36.6%
COSTS AND EXPENSES, NET				
Cost of goods sold	142,113	61.8%	136,434	63.4%
Selling, general and administrative	54,567	23.8%	49,333	22.9%
Depreciation	5,168	2.3%	5,038	2.3%
Interest expense	10	0.0%	152	0.1%
Interest and other income	(1,552)	-0.7%	(941)	-0.4%
Cost and expenses, net	200,306	87.2%	190,016	88.3%
Income Before Income Taxes	32,754	14.3%	28,911	13.5%
Income Tax Expense	11,955	5.2%	10,495	4.9%
Net Income	\$ 20,799	9.1%	\$ 18,416	8.6%
Basic Earnings Per Share	\$ 0.67		\$ 0.59	
Basic Weighted Average Shares	31,084,206		31,104,326	
Diluted Earnings Per Share	\$ 0.65		\$ 0.58	
Diluted Weighted Average Shares	31,814,193		31,793,139	

THE CATO CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	April 29, 2006 (Unaudited)	April 30, 2005 (Unaudited)	January 28, 2006
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 25,319	\$ 22,773	\$ 21,734
Short-term investments	95,752	71,472	86,085
Accounts receivable — net	47,791	49,534	49,644
Merchandise inventories	103,145	105,084	103,370
Other current assets	11,379	12,112	10,844
Total Current Assets	283,386	260,975	271,677
Property and Equipment — net	131,516	118,727	124,104
Other Assets	10,799	10,391	10,855
TOTAL	\$ 425,701	\$ 390,093	\$ 406,636
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities	\$ 135,515	\$ 128,771	\$ 132,563
Noncurrent Liabilities	32,787	34,268	34,125
Stockholders' Equity	257,399	227,054	239,948
TOTAL	\$ 425,701	\$ 390,093	\$ 406,636