

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):

August 17, 2004

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)

THE CATO CORPORATION

Item 7. Financial Statements and Exhibits.

(c) Exhibits

Exhibit 99.1 – Press Released issued August 17, 2004

Item 9. Regulation FD Disclosure; and

Item 12. Results of Operations and Financial Condition.

On August 17, 2004, The Cato Corporation issued a press release regarding its financial results for the second quarter ending July 31, 2004. A copy of this press release is attached hereto as Exhibit 99.1 and incorporated by reference herein. The information being furnished in this report (including Exhibit 99.1) is not deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934 and is not incorporated by reference into any filing under the Securities Act of 1933.

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

August 18, 2004

Date

/s/ John P. Derham Cato

John P. Derham Cato
Chairman, President and
Chief Executive Officer

August 18, 2004

Date

/s/ Michael O. Moore

Michael O. Moore
Executive Vice President
Chief Financial Officer and Secretary

Exhibit Index

<u>Exhibit</u>	<u>Exhibit No.</u>
Press Release issued August 17, 2004	99.1



The CATO Corporation

NEWS RELEASE

FOR IMMEDIATE RELEASE

CEO Approval _____

For Further Information Contact:

Michael O. Moore
Executive Vice President
Chief Financial Officer
704-551-7201

**CATO REPORTS 2Q EARNINGS
Provides 3Q Guidance**

Charlotte, N.C. (August 17, 2004) – The Cato Corporation (NYSE: CTR) today reported net income of \$8.2 million or \$.39 per diluted share for the second quarter ended July 31, 2004, compared to net income of \$7.7 million or \$.30 per diluted share for the second quarter ended August 2, 2003. Net income increased 6% and earnings per diluted share increased 30% from last year. Sales for the second quarter were \$197.1 million, a 5% increase over sales of \$188.2 million last year. The Company's second quarter comparable store sales decreased 1%.

For the six months ended July 31, 2004, the Company earned net income of \$25.0 million or \$1.20 per diluted share, compared with net income of \$25.2 million or \$.98 per diluted share for the six months ended August 2, 2003, a net income decrease of 1% and a per diluted share increase of 22%. Sales were \$402.3 million for the first half of 2004, a 4% increase over sales of \$385.5 million last year. Comparable store sales decreased 2% for the first half.

“Our second quarter earnings per share of \$.39 exceeded our estimate of \$.33 to \$.38 due to an improved gross margin rate resulting from less markdowns than last year,” said John Cato, Chairman, President, and Chief Executive Officer.

The Company's expectations for third quarter earnings per diluted share are in the range of \$.05 to \$.09 versus \$.04 in 2003. These expectations are based on comparable store sales in the range of down 2% to up 2%. The Company's earnings per diluted share in third quarter 2003

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were negatively impacted by a charge of \$.08 related to retirement agreements signed with the Company's founders.

During the first half, the Company opened 30 stores and relocated 17 stores. The Company expects to open 80 new stores for the year, as compared to the original estimate of 90 new stores. As of July 31, 2004, The Cato Corporation operated 1,132 stores in 28 states, compared to 1,051 stores in 26 states as of August 2, 2003.

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 primarily offers exclusive merchandise with fashion and quality comparable to mall specialty stores at low prices, everyday. 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 third quarter and expected plans for full year store openings 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 JULY 31, 2004 AND AUGUST 2, 2003
(Dollars in thousands, except per share data)

	Quarter Ended				Six Months Ended			
	July 31, 2004	% Sales	August 2, 2003	% Sales	July 31, 2004	% Sales	August 2, 2003	% Sales
REVENUES								
Retail sales	\$ 197,068	100.0%	\$ 188,218	100.0%	\$ 402,261	100.0%	\$ 385,522	100.0%
Other income (principally finance, late fees and layaway charges)	3,816	1.9%	3,775	2.0%	7,824	1.9%	7,681	1.9%
Total revenues	200,884	101.9%	191,993	102.0%	410,085	101.9%	393,203	101.9%
GROSS MARGIN (Memo)	61,017	31.0%	55,602	29.5%	133,866	33.3%	125,908	32.6%
COSTS AND EXPENSES, NET								
Cost of goods sold	136,051	69.0%	132,616	70.5%	268,395	66.7%	259,614	67.4%
Selling, general and administrative	47,387	24.0%	44,565	23.7%	93,210	23.2%	88,010	22.8%
Depreciation	5,091	2.6%	4,562	2.4%	10,070	2.5%	9,013	2.3%
Interest expense	167	0.1%	1	0.0%	329	0.1%	4	0.0%
Interest and other income	(656)	-0.3%	(1,888)	-1.0%	(1,162)	-0.3%	(3,018)	-0.8%
Cost and expenses, net	188,040	95.4%	179,856	95.6%	370,842	92.2%	353,623	91.7%
Income Before Income Taxes	12,844	6.5%	12,137	6.4%	39,243	9.7%	39,580	10.2%
Income Tax Expense	4,662	2.4%	4,406	2.3%	14,245	3.5%	14,368	3.7%
Net Income	\$ 8,182	4.1%	\$ 7,731	4.1%	\$ 24,998	6.2%	\$ 25,212	6.5%
Basic Earnings Per Share	\$ 0.40		\$ 0.30		\$ 1.22		\$ 0.99	
Basic Weighted Average Shares	20,515,017		25,478,008		20,527,831		25,458,696	
Diluted Earnings Per Share	\$ 0.39		\$ 0.30		\$ 1.20		\$ 0.98	
Diluted Weighted Average Shares	20,880,031		25,888,333		20,890,832		25,850,621	

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

	July 31, 2004 (Unaudited)	August 2, 2003 (Unaudited)	January 31, 2004
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 29,439	\$ 59,836	\$ 23,857
Short-term investments	76,494	66,255	47,545
Accounts receivable — net	50,260	53,092	52,714
Merchandise inventories	86,355	79,998	97,292
Other current assets	6,047	7,181	5,992
Total Current Assets	248,595	266,362	227,400
Property and Equipment — net	114,783	113,131	114,367
Other Assets	10,194	9,617	9,806
TOTAL	\$373,572	\$389,110	\$351,573
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities	\$ 119,052	\$ 88,014	\$ 114,492
Noncurrent Liabilities	21,912	15,010	21,470
Long Term Debt	18,500	0	21,500
Stockholders' Equity	214,108	286,086	194,111
TOTAL	\$373,572	\$389,110	\$351,573