FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Mark One)
(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ending April 30, 1999

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 0-13283

REX Stores Corporation
(Exact name of registrant as specified in its charter)

Delaware	31-1095548
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2875 Needmore Road, Dayton, Ohio	45414
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 937-276-3931

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, and (2) has been subject to such filing requirements for at least the past 90 days. Yes (X) No ( )

At the close of business on June 14, 1999, the registrant had 7,523,676 shares of Common Stock, par value $.01 per share, outstanding.

REX STORES CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

ASSETS

	April 30 1999	January 31 1999	April 30 1998
		(In Thousands)	
ASSETS:			
Cash and cash equivalents	$ 9,349	$ 11,912	$ 2,260
Accounts receivable, net	1,030	2,297	366
Merchandise inventory	144,827	132,002	142,737
Prepaid expenses and other	2,390	2,039	3,490
Equity investment in limited partnerships	1,364	1,838	-
Future income tax benefits	9,366	9,366	7,899
Total current assets	168,326	159,454	156,752
PROPERTY AND EQUIPMENT, NET	99,304	98,891	94,063
FUTURE INCOME TAX BENEFITS	8,109	8,109	9,541
RESTRICTED INVESTMENTS	1,919	1,828	1,700
Total assets	$ 277,658	$ 268,282	$262,056

LIABILITIES AND SHAREHOLDERS' EQUITY

	April 30 1999	January 31 1999	April 30 1998
CURRENT LIABILITIES:			
Notes payable	$ -	$ -	$ 11,608
Current portion of long-term debt	3,165	3,114	3,045
Current portion, deferred income and deferred gain on sale and leaseback	11,440	11,453	11,371
Accounts payable, trade	61,031	52,674	43,548
Accrued income taxes	-	147	270
Accrued payroll	4,574	5,889	3,649
Other liabilities	9,639	8,817	7,237
Total current liabilities	89,849	82,094	80,728

Liabilities and Shareholders' Equity (Continued)

	April 30 1999	January 31 1999	April 30 1998
LONG-TERM LIABILITIES:			
Long-term debt	55,904	55,478	52,490
Deferred income	16,263	16,723	17,426
Deferred gain on sale and leaseback	3,571	3,777	5,028
Total long-term liabilities	75,738	75,978	74,944
SHAREHOLDERS' EQUITY:			
Common stock	98	98	97
Paid-in capital	55,715	58,596	58,224
Retained earnings	77,457	75,370	65,194
Treasury stock	(21,199)	(23,854)	(17,131)
Total shareholders' equity	112,071	110,210	106,384
Total liabilities and shareholders' equity	$ 277,658	$ 268,282	$ 262,056

[FN]

The accompanying notes are an integral part of these unaudited consolidated statements.

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended April 30 1999	1998
	(In Thousands, Except Per Share Amounts)	
NET SALES	$ 99,056	$ 87,964
COSTS AND EXPENSES:		
Cost of merchandise sold	72,613	63,982
Selling, general and administrative expenses	22,785	21,216
Total costs and expenses	95,398	85,198
INCOME FROM OPERATIONS	3,658	2,766
INVESTMENT INCOME	149	178
INTEREST EXPENSE	(1,303)	(1,259)
INCOME FROM LIMITED PARTNERSHIPS	280	0
Income before income taxes	2,784	1,685
PROVISION FOR INCOME TAXES	697	666
NET INCOME	$ 2,087	$ 1,019
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	7,380	7,697
BASIC NET INCOME PER SHARE	$ 0.28	$ 0.13
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	7,638	8,037
DILUTED NET INCOME PER SHARE	$ 0.27	$ 0.13

[FN]

The accompanying notes are an integral part of these unaudited consolidated statements.

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Shares Issued Shares	Common Shares Issued Amount	Common Shares Treasury Shares	Common Shares Treasury Amount	Paid-in Capital	Retained Earnings
				(In Thousands)		
Balance at April 30, 1998	9,735	$ 97	2,025	$17,131	$58,224	$65,194
Common stock issued	32	1	0	0	372	0
Treasury stock acquired	0	0	562	6,723	0	0
Net income	0	0	0	0	0	10,176
Balance at January 31, 1999	9,767	$ 98	2,587	$23,854	$58,596	$75,370
Common stock issued	14	0	(512)	(4,721)	(2,881)	0
Treasury stock acquired	0	0	146	2,066	0	0
Net income	0	0	0	0	0	2,087
Balance at April 30, 1999	9,781	$ 98	2,221	$21,199	$55,715	$77,457

[FN]

The accompanying notes are an integral part of these unaudited consolidated statements.

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended April 30 1999	Three Months Ended April 30 1998
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,087	$ 1,019
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, net	829	781
Equity in losses of limited partnerships	474	-
Deferred income	(1,136)	(491)
Changes in assets and liabilities		
Accounts receivable	1,267	2,409
Merchandise inventory	(12,825)	(16,239)
Other current assets	(353)	(1,414)
Accounts payable, trade	8,357	(6,284)
Other liabilities	(733)	(3,588)
NET CASH USED IN OPERATING ACTIVITIES	(2,033)	(23,807)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(1,713)	(1,913)
Capital disposals	1,023	-
Restricted investments	(91)	(63)

NET CASH USED IN INVESTING ACTIVITIES	(781)	(1,976)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in notes payable	-	11,608
Payments of long-term debt	(1,203)	(723)
Long-term debt borrowings	1,680	638
Common stock issued	112	328
Treasury stock issued	1,728	0
Treasury stock acquired	(2,066)	(745)
NET CASH PROVIDED BY FINANCING ACTIVITIES	251	11,106
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,563)	(14,677)
CASH AND CASH EQUIVALENTS, beginning of period	11,912	16,937
CASH AND CASH EQUIVALENTS, end of period	$ 9,349	$ 2,260

[FN] The accompanying notes are an integral part of these unaudited consolidated statements.

REX STORES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 1999

Note 1. Consolidated Financial Statements

The consolidated financial statements included in this report have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission and include, in the opinion of management, all adjustments necessary to state fairly the information set forth therein. Any such adjustments were of a normal recurring nature. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these unaudited consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended January 31, 1999.

Note 2. Accounting Policies

The interim consolidated financial statements have been prepared in accordance with the accounting policies described in the notes to the consolidated financial statements included in the Company's 1999 Annual Report on Form 10-K. While management believes that the procedures followed in the preparation of interim financial information are reasonable, the accuracy of some estimated amounts is dependent upon facts that will exist or calculations that will be accomplished at fiscal year end. Examples of such estimates include changes in the LIFO reserve (based upon the Company's best estimate of inflation to date), management bonuses and the provision for income taxes. Any adjustments pursuant to such estimates during the quarter were of a normal recurring nature.

Certain reclassifications have been made to prior year amounts to conform with their fiscal 2000 presentation.

Note 3. Stock Option Plans

The following summarizes options granted, exercised and canceled or expired during the three months ended April 30, 1999:

	Shares Under Stock Option Plans
Outstanding at January 31, 1999 ($3.375 to $18.975 per share)	3,194,951
Granted ($11.50 per share)	199,000
Exercised ($3.375 to $10.375 per share)	(524,679)
Canceled or expired ($8.125 to $17.25 per share)	(18,197)
Outstanding at April 30, 1999 ($8.125 to $18.975 per share)	2,851,075

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company is a leader in the consumer electronics/appliance retailing industry with 227 stores in 35 states, operating predominantly in small to medium sized markets under the trade name "REX".

Results of Operations

The following table sets forth, for the periods indicated, the relative percentages that certain income and expense items bear to net sales:

	Three Months Ended April 30	
	1999	1998
Net sales	100.0%	100.0%
Cost of merchandise sold	73.3	72.7
Gross profit	26.7	27.3
Selling, general and administrative expenses	23.0	24.1
Income from operations	3.7	3.2
Interest, net	(1.2)	(1.2)
Income from limited partnerships	0.3	-
Income before income taxes	2.8	2.0
Provision for income taxes	0.7	0.8
Net income	2.1%	1.2%

Comparison of Three Months Ended April 30, 1999 and 1998

Net sales in the first quarter ended April 30, 1999 were $99.1 million compared to $88.0 million in the prior year's comparable period, representing an increase of $11.1 million or 12.6%. This increase is primarily the result of a 11.9% increase in comparable store sales for the quarter. The Company considers a store to be comparable after it has been open six fiscal quarters.

All product categories experienced positive contributions to comparable store sales with particular strength shown by televisions (approximately 3.6%), audio (approximately 3.2%) and appliances (approximately 3.0%). During the first quarter the Company introduced Maytag products to its appliance line and believes this will continue to benefit this category. The Company also added Sony products to its stores, which the Company believes will benefit the audio, video and television categories.

As of April 30, 1999, the Company had 227 stores compared to 223 stores one year earlier. There were no stores opened and one closed during the first quarter of fiscal 2000. During the first quarter of fiscal 1999 the Company opened one store and closed none.

Gross profit of $26.4 million in the first quarter of fiscal 2000 (26.7% of net sales) was 10.3% higher than the $24.0 million gross profit (27.3% of net sales) recorded in the first quarter of fiscal 1999. The reduced gross profit margin, as a percent of net sales, for the first quarter of fiscal 2000 is primarily the result of the recognition of a lower amount of extended service contract revenues, which generally have a higher gross profit margin, and a change in merchandise mix.

Selling, general and administrative expenses for the quarter ended April 30, 1999 were $22.8 million (23.0% of net sales), a 7.4% increase from $21.2 million (24.1% of net sales) for the first quarter of fiscal 1999. The increase in expense is primarily the result of increased incentive commissions and other selling costs associated with increased sales. The reduction in selling, general and administrative expense as a percent of net sales is primarily the result of the leveraging of store costs on an increase in comparable store sales of 11.9%.

Interest expense was $1.3 million for the first quarter of fiscal 2000 and 1999.

Results for the first quarter of fiscal 2000 also reflect the impact of the Company's equity investment in two limited partnerships which produce synthetic fuels. The Company reported income from the limited partnerships of $280,000 for the first quarter of fiscal 2000, which consisted of a pre-tax charge of $454,000 to reflect its equity share in the losses of the partnerships, offset by $734,000 of income generated from the sale of a portion of one of the investments. Effective February 1, 1999, the Company entered into an agreement to sell a portion of its investment in one of the limited partnerships, which resulted in the reduction in the Company's ownership interest from 30% to 17%. The Company will receive cash proceeds on a quarterly basis and the total sales proceeds to be received are contingent upon the amount of Federal income tax credits attributable to the 13% interest sold by the Company.

The Company's effective tax rate was reduced to 25% for the first quarter of fiscal 2000 from 39.5% for the first quarter of fiscal 1999 as a result of the Company's share of Federal income tax credits earned by the limited partnerships under Section 29 of the Internal Revenue Code.

As a result of the foregoing, net income was $2.1 million for the first quarter of fiscal 2000, versus $1.0 million for the first quarter of fiscal 1999.

Liquidity and Capital Resources

Net cash used in operating activities was $2.0 million for the first quarter of fiscal 2000, compared to usage of $23.8 million for the first quarter of fiscal 1999. For the first quarter of fiscal 2000, operating cash flow was provided by net income of $2.1 million adjusted for the net impact of non-cash items of $167,000, which primarily consist of deferred income, depreciation and the Company's equity interest in the losses of the synthetic fuel limited partnership investments. Cash was also provided by an increase in accounts payable of $8.4 million, primarily due to an increase in inventory and extended payment terms from certain vendors, and a decrease in accounts receivable of $1.3 million. The primary use of cash was an increase in inventory of $12.8 million primarily due to an increase of seasonal air conditioner inventories.

For the first quarter of fiscal 1999 cash flow was provided by net income of $1.0 million adjusted for non-cash charges of $290,000 and a decrease in accounts payable of $6.3 million due to the timing of payments to vendors. The primary use of cash was an increase in inventory of $16.2 million primarily due to the addition of seasonal air conditioner inventory. Changes in other working capital items also served to decrease cash by approximately $2.6 million.

At April 30, 1999, working capital was $78.5 million compared to $77.4 million at January 31, 1999. The ratio of current assets to current liabilities was 1.9 to 1 at April 30, 1999 and January 31, 1999.

The Company had approximately $91 million borrowing availability on its line of credit at April 30, 1999, with no outstanding borrowings on that date.

Year 2000 Issue

The statements in this section include "Year 2000 readiness disclosure" within the meaning of the Year 2000 Information and Readiness Disclosure Act.

Certain software and hardware systems are time sensitive. Older time sensitive systems often use a two digit dating convention ("00" rather than "2000") that could result in system failure and disruption of operations as the Year 2000 approaches. This is referred to as the Year 2000 issue. The Year 2000 issue will impact the Company, its suppliers, customers and other third parties that transact business with the Company.

The Company has a staff of internal resources (the "Year 2000 Team") to address Year 2000 issues. This team believes that it has identified substantially all hardware and software systems within the Company which may be susceptible to Year 2000 issues. Projects have been established to address all significant Year 2000 issues. The Year 2000 Team reports regularly to senior management on the progress of significant Year 2000 projects.

Most Year 2000 activities are to test hardware and software systems, including non-information technology systems such as telephones and store security systems. The Company has determined that it needs to modify some of its software. The Company believes all hardware systems are Year 2000 compliant. The Company is reprogramming all of the systems critical impacted by Year 2000 issues, and these efforts were substantially complete by January 31, 1999. The testing of these reprogramming efforts is currently in process. The Company is also currently working with the outside vendors on the compliance status of the telephones and store security systems.

The Company has initiated communications with significant suppliers, customers and other relevant third parties that transact business with the Company to identify and minimize disruptions to the Company's operations and to assist in resolving Year 2000 issues. However, there can be no certainty that the impacted systems and products of other parties on which the Company relies will be Year 2000 compliant.

The Company generally believes that its vendors who supply products to the Company for resale are responsible for Year 2000 functionality of those products. However, should product failures occur, the Company may be required to address the administrative aspects of those failures, such as handling product returns or repairs.

The estimated cost for resolving Year 2000 issues are approximately $175,000. Most of these costs are internal labor related to reprogramming existing software. Estimates of Year 2000 costs are based on numerous assumptions; actual costs could be greater than estimates. Specific factors that might cause such differences include, but are not limited to, the continuing availability of personnel trained in this area and the ability to timely identify and correct all relevant software and hardware systems.

While the Company believes it is diligently addressing the Year 2000 issues to ensure Year 2000 readiness, there can be no absolute assurance that the objective will be achieved either internally or as it relates to third parties. The Company anticipates completing substantially all of its Year 2000 projects by July 31, 1999. In the event the Company falls short of these milestones, additional internal resources will be focused on completing these projects or implementing contingency plans.

Forward-Looking Statements

This Form 10-Q contains or may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. The words "believes", "estimates", "plans", "expects", "intends", "anticipates" and similar expressions as they relate to the Company or its management are intended to identify such forward-looking statements. Forward-looking statements are inherently subject to risks and uncertainties. Factors that could cause actual results to differ materially from those in the forward-looking statements are set forth in Exhibit 99 to the Company's Form 10-Q for the quarter ended October 31, 1997 (File No. 0-13283).

Item 3. Quantitative and Qualitative Disclosure About Market Risk

No material changes since January 31, 1999.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits. The following exhibits are filed with this report:

27 Financial Data Schedule

(b) Reports on Form 8-K. No reports on Form 8-K were filed during the quarter ended April 30, 1999.

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.

REX STORES CORPORATION
Registrant

June 14, 1999	/s/ Stuart A. Rose Stuart A. Rose Chairman of the Board (Chief Executive Officer)
June 14, 1999	/s/ Douglas L. Bruggeman Douglas L. Bruggeman Vice President, Finance and Treasurer (Principal Financial and Chief Accounting Officer)

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REX STORES CORPORATION
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U.S. DOLLARS

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JAN-31-2000
FEB-1-1999
APR-30-1999
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