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 ended July 31, 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)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, 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 August 26, 1999, the registrant had 7,652,527 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

A S S E T S

	July 31 1999	January 31 1999	July 31 1998
		(In Thousands)	
ASSETS:			
Cash and cash equivalents	$ 9,734	$ 11,912	$ 6,014
Accounts receivable, net	1,414	2,297	518
Merchandise inventory	149,362	132,002	144,523
Prepaid expenses and other	2,177	2,039	2,833
Equity investment in limited partnerships	781	1,838	3,150
Future income tax benefits	9,366	9,366	7,899
Total current assets	172,834	159,454	164,937
PROPERTY AND EQUIPMENT, NET	101,716	98,891	93,624
FUTURE INCOME TAX BENEFITS	8,109	8,109	9,577
RESTRICTED INVESTMENTS	1,949	1,828	1,744
Total assets	$ 284,608	$ 268,282	$ 269,882

LIABILITIES AND SHAREHOLDERS' EQUITY

	July 31 1999	January 31 1999	July 31 1998
CURRENT LIABILITIES:			
Notes payable	$ -	$ -	$ 13,618
Current portion of long-term mortgage debt	3,203	3,114	3,011
Current portion, deferred income and deferred gain on sale and leaseback	11,349	11,453	11,379
Accounts payable, trade	56,908	52,674	49,507
Accrued income taxes	663	147	-
Accrued payroll	6,515	5,889	4,388

Liabilities and Shareholders' Equity (Continued)

Other liabilities	11,342	8,817	10,612
Total current liabilities	89,980	82,094	92,515
LONG-TERM LIABILITIES:			
Long-term mortgage debt	58,708	55,478	53,093
Deferred income	16,038	16,723	16,928
Deferred gain on sale and leaseback	3,365	3,777	4,793
Total long-term liabilities	78,111	75,978	74,814
SHAREHOLDERS' EQUITY:			
Common stock	99	98	97
Paid-in capital	57,226	58,596	58,403
Retained earnings	81,555	75,370	66,773
Treasury stock	(22,363)	(23,854)	(22,720)
Total shareholders' equity	116,517	110,210	102,553
Total liabilities and shareholders' equity	$ 284,608	$ 268,282	$ 269,882

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

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended July 31		Six Months Ended July 31	
	1999	1998	1999	1998
	(In Thousands, Except Per Share Amounts)			
NET SALES	$ 107,739	$ 92,446	$ 206,795	$ 180,410
COSTS AND EXPENSES:				
Cost of merchandise sold	76,870	66,402	149,483	130,384
Selling, general and administrative expenses	24,509	21,818	47,294	43,034
Total costs and expenses	101,379	88,220	196,777	173,418
INCOME FROM OPERATIONS	6,360	4,226	10,018	6,992
INVESTMENT INCOME	41	45	190	223
INTEREST EXPENSE	(1,453)	(1,659)	(2,756)	(2,918)
INCOME FROM LIMITED PARTNERSHIPS	516	--	796	--
Income before income taxes	5,464	2,612	8,248	4,297
PROVISION FOR INCOME TAXES	1,366	1,033	2,063	1,699
NET INCOME	$ 4,098	$ 1,579	$ 6,185	$ 2,598
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	7,576	7,644	7,480	7,670
BASIC NET INCOME PER SHARE	$ 0.54	$ 0.21	$ 0.83	$ 0.34

WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	8,493	8,011	8,122	8,034
DILUTED NET INCOME PER SHARE	$ 0.48	$ 0.20	$ 0.76	$ 0.32

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		Treasury		Paid-in	Retained
	Shares	Amount	Shares	Amount	Capital	Earnings
			(In Thousands)			
Balance at July 31, 1998	9,756	$ 97	2,484	$ 22,720	$ 58,403	$ 66,773
Common stock issued	11	1	--	--	193	--
Treasury stock acquired	--	--	103	1,134	--	--
Net income	--	--	--	--	--	8,597
Balance at January 31, 1999	9,767	98	2,587	23,854	58,596	75,370
Common stock issued	167	1	(512)	(4,721)	(1,370)	--
Treasury stock acquired	--	--	209	3,230	--	--
Net income	--	--	--	--	--	6,185
Balance at July 31, 1999	9,934	$ 99	2,284	$ 22,363	$ 57,226	$ 81,555

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

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended July 31	
	1999	1998
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 6,185	$ 2,598
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization, net	1,693	1,573
Equity in losses of limited partnerships	1,057	--
Deferred income	(696)	(981)
Changes in assets and liabilities:		
Accounts receivable	883	2,258
Merchandise inventory	(17,360)	(18,025)
Other current assets	(141)	(758)
Accounts payable, trade	4,234	(325)
Other liabilities	3,574	256
NET CASH USED IN OPERATING ACTIVITIES	(571)	(13,404)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(5,869)	(4,175)
Capital disposals	943	1,675
Equity investment in limited partnerships	--	(3,150)
Restricted investments	(121)	(143)
NET CASH USED IN INVESTING ACTIVITIES	(5,047)	(5,793)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in notes payable	--	13,618
Payments of long-term mortgage debt	(2,003)	(2,224)
Long-term mortgage debt borrowings	5,322	2,707
Common stock issued	1,623	507
Treasury stock issued	1,728	--
Treasury stock acquired	(3,230)	(6,334)

NET CASH PROVIDED BY FINANCING ACTIVITIES	3,440	8,274
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,178)	(10,923)
CASH AND CASH EQUIVALENTS, beginning of period	11,912	16,937
CASH AND CASH EQUIVALENTS, end of period	$ 9,734	$ 6,014

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 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) and 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.

Notes to Consolidated Financial Statements (Continued)

Note 3. Stock Option Plans

The following summarizes options granted, exercised and canceled or expired during the six months ended July 31, 1999:

	Shares Under Stock Option Plans
Outstanding at January 31, 1999 ($3.38 to $18.98 per share)	3,194,951
Granted ($11.50 to $22.69 per share)	212,221
Exercised ($3.38 to $10.38 per share)	(680,080)
Canceled or expired ($8.13 to $17.25 per share)	(17,670)
Outstanding at July 31, 1999 ($8.13 to $22.69 per share)	2,709,422

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 226 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 July 31		Six Months Ended July 31	
	1999	1998	1999	1998
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of merchandise sold	71.3	71.8	72.3	72.3
Gross profit	28.7	28.2	27.7	27.7
Selling, general and administrative expenses	22.8	23.6	22.9	23.8
Income from operations	5.9	4.6	4.8	3.9
Interest expense, net	(1.3)	(1.8)	(1.2)	(1.5)
Income from limited partnerships	0.5	--	0.4	--
Income before income taxes	5.1	2.8	4.0	2.4
Provision for income taxes	1.3	1.1	1.0	1.0
Net income	3.8%	1.7%	3.0%	1.4%

Comparison of Three and Six Months Ended July 31, 1999 and 1998

Net sales in the second quarter ended July 31, 1999 were $107.7 million compared to $92.4 million in the prior year's comparable period, representing an increase of $15.3 million or 16.6%. This increase is primarily the result of a 14.2% increase in comparable store sales for the quarter. The Company considers a store to be comparable after it has been open six full fiscal quarters.

The strongest product for the quarter was air conditioners, which accounted for 10.3% of the 14.2% increase in comparable store sales. This strong performance was due to warm weather throughout our markets, particularly in the Midwest and Northeast. Televisions accounted for 2.3% of the increase in comparable store sales, primarily due to the strength of the big screen TV product lines. In addition, the video, audio and other appliance categories all had positive contributions for the quarter, resulting in a combined 1.6% increase in comparable store sales.

Net sales for the first half of fiscal 2000 were $206.8 million compared to $180.4 million for the first half of fiscal 1999, representing an increase of $26.4 million or 14.6%. This increase is primarily the result of an increase of 13.1% in comparable store sales for the first half of fiscal 2000. All major product categories made positive contributions to comparable store sales. The appliance category accounted for 7.2% of the 13.1% increase in comparable store sales, led by strong air conditioner sales. Televisions impacted comparable store sales by 3.0%. In addition, the audio and video categories impacted comparable store sales by 1.9% and 1.0%, respectively.

As of July 31, 1999, the Company had 226 stores compared to 220 stores one year earlier. There was one store opened and three closed in the first half of fiscal 2000. In the prior year's first half there were two stores opened and four closed. The Company evaluates the performance of its stores on a continuous basis and, based on an assessment of profitability, future cash flows and other factors it deems relevant, will close any store which is not adequately contributing to Company profitability.

Gross profit of $30.9 million in the second quarter of fiscal 2000 (28.7% of net sales) was 18.5% higher than the $26.0 million gross profit (28.2% of net sales) recorded in the second quarter of fiscal 1999. Gross profit in the first half of fiscal 2000 was $57.3 million (27.7% of net sales), a 14.6% increase from $50.0 million (27.7% of net sales) for the first half of fiscal 1999. The increased gross profit, as a percent of sales, for the second quarter of fiscal 2000 was primarily the result of higher margins generated by air conditioner sales and improved margins in the television, video and other appliance categories primarily due to better merchandise buying opportunities. Gross profit realized from sales of extended service contracts was $2.8 million for the second quarter of both fiscal 2000 and fiscal 1999. For the first six months of fiscal 2000, gross profit realized from sales of extended service contracts was $5.4 million compared to $5.6 million for the first six months of fiscal 1999. Sales of extended service contracts generally have a higher gross profit margin in comparison to other product categories and the decline in the amount recognized, as well as its percentage of total gross profit, served to offset the improvements, as a percent to sales, in other product categories on a year to date basis in fiscal 2000.

Selling, general and administrative expenses for the second quarter of fiscal 2000 were $24.5 million (22.8% of net sales), a 12.3% increase over the $21.8 million (23.6% of net sales) for the second quarter of fiscal 1999. Selling, general and administrative expenses for the first half of fiscal 2000 were $47.3 million (22.9% of net sales), a 9.9% increase from $43.0 million (23.8% of net sales)for the first half of fiscal 1999. The increase in expenses for both the second quarter and first half of fiscal 2000 is primarily the result of increased incentive commissions and other selling costs associated with the increased sales levels. The reduction in selling, general and administrative expenses as a percent of net sales is primarily the result of the leveraging of store operating costs, such as advertising and occupancy expense, on an increase in comparable store sales of 14.2% for the second quarter and 13.1% for the first half of fiscal 2000.

Interest expense decreased to $1.5 million (1.4% of net sales) for the quarter ended July 31, 1999 from $1.7 million (1.8% of net sales) for the second quarter of fiscal 1999. Interest expense for the first half of fiscal 2000 decreased to $2.8 million (1.3% of net sales) from $2.9 million (1.5% of net sales) for the first half of fiscal 1999. The decrease in interest expense was a result of lower borrowings under the line of credit for the first half of fiscal 2000.

Results of the first quarter and first half of fiscal 2000 also reflect the impact of the Company's equity investment in two limited partnerships which produce synthetic fuel. 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 payments from the sale on a quarterly basis through 2007. These payments are contingent upon and equal to 75% of the federal income tax credits attributable to the 13% interest sold.

The Company reported income from the limited partnerships of $516,000 for the second quarter of fiscal 2000, which consisted of $1,119,000 of income generated by the sale of the partnership interest, partially offset by a charge of $603,000 to reflect the Company's equity share of the partnerships' losses. For the first half of fiscal 2000, the Company reported income from the limited partnerships of $796,000, which consisted of $1,853,000 of income generated by the sale of the partnership interest, partially offset by a charge of $1,057,000 to reflect the Company's equity share of the partnerships' losses.

The Company's effective tax rate was reduced to 25.0% for the second quarter and first half of fiscal 2000 from 39.5% for the second quarter and first half 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 for the second quarter of fiscal 2000 was $4.1 million, a 159.5% increase from $1.6 million for the second quarter of fiscal 1999. Net income for the first half of fiscal 2000 was $6.2 million, a 138.1% increase from $2.6 million for the first half of fiscal 1999.

Liquidity and Capital Resources

Net cash used in operating activities was $0.6 million for the first six months of fiscal 2000, compared to $13.4 million for the first six months of fiscal 1999. For the first six months of fiscal 2000, operating cash flow was provided by net income of $6.2 million adjusted for the net impact of non-cash items of $2.1 million, which consist of deferred income, depreciation and amortization and our equity interest in the losses of the synthetic fuel limited partnerships. Cash was also provided by an increase in accounts payable of $4.2 million, primarily due to an increase in inventory and extended payment terms from certain vendors, and an increase in other liabilities of $3.6 million, primarily due to the timing of payment for wages and taxes. The primary use of cash was an increase in inventory of $17.4 million primarily due to the seasonal timing of inventory purchases.

At July 31, 1999, working capital was $82.9 million compared to $77.4 million at January 31, 1999. The ratio of current assets to current liabilities was 1.9 to 1 at July 31, 1999 and at January 31, 1999.

Capital expenditures through July 31, 1999 totaled $5.9 million and primarily relate to the acquisition of store sites and other construction expenditures associated with planned fiscal 2000 new store openings and the purchase of a previously leased store. The Company expects to open 10 to 15 new stores in fiscal 2000.

Cash provided by financing activities totaled $3.4 million for the first six months of fiscal 2000. The Company received proceeds of $3.3 million from the exercise of stock options by employees. During the first six months of fiscal 2000, the Company also purchased 209,000 shares of its common stock for $3.2 million. The Company is currently authorized by its board of directors to purchase an additional 255,700 shares of common stock. Proceeds from long-term debt totaled $5.3 million and were partially offset by $2.0 million of scheduled repayments. The new long-term borrowings related to mortgage financing for eight existing stores.

At July 31, 1999, the Company had no borrowings outstanding under its revolving credit agreement. A total of approximately $94.9 million was available for borrowing at July 31, 1999.

Year 2000

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 us, our suppliers, customers and other third parties that transact business with us.

We have a staff of internal resources to address Year 2000 issues. This team believes that it has identified substantially all hardware and software systems within REX 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 infrastructure systems such as telephones and store security systems. We determined that we needed to modify some of our software. We believe all hardware systems are Year 2000 compliant. We believe we have completed reprogramming and testing all of our critical systems impacted by Year 2000 issues. We are currently working with outside vendors on the compliance status of telephones and store security systems.

We have initiated communications with our significant suppliers and other third parties that transact business with us to identify and minimize disruptions to our operations and to assist in resolving Year 2000 issues. Information provided by our 15 largest suppliers states that they believe their products are Year 2000 compliant. Most of the companies operating our store security systems believe their systems are either Year 2000 compliant or are not date dependent. However, there can be no certainty that the impacted systems and products of other parties on which we rely will be Year 2000 compliant.

We generally believe that our suppliers are responsible for the Year 2000 functionality of the products they supply to us for resale. However, should product failures occur, we may be required to address the administrative aspects of those failures, such as handling product returns or repairs.

The estimated costs 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 and 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 we believe we are 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. At this time, we believe the most reasonably likely worst case scenario is that:

- we could experience significant volumes of product returns due to widespread product failures;

- we could lose communications links with some stores;

- some stores could close due to loss of electric power;

store security systems may not operate; and

individual stores may be unable to process transactions or engage in normal business activity.

Our contingency plans include conducting store operations on a manual basis, working to assess and correct system errors and possibly changing suppliers.

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).

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

The annual meeting of shareholders of REX Stores Corporation was held on June 7, 1999, at which the following matter was submitted to a vote of shareholders:

1. Election of five directors.

Nominee	For	Withheld
Stuart Rose	7,043,849	19,720
Lawrence Tomchin	7,043,849	19,720
Robert Davidoff	7,043,849	19,720
Edward Kress	7,043,789	19,780
Lee Fisher	7,043,849	19,720

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 July 31, 1998.

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

August 26, 1999	/s/ STUART A. ROSE Stuart A. Rose Chairman of the Board (Chief Executive Officer)
August 26, 1999	/s/ DOUGLAS L. BRUGGEMAN Douglas L. Bruggeman Vice President--Finance and Treasurer (Principal Financial and Chief Accounting Officer)

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0000744187
REX STORES CORPORATION
1,000
U.S. DOLLARS

6-MOS
JAN-31-2000
FEB-01-1999
JUL-31-1999
1
9,734
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