

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Mark One)

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

For the quarterly period ending April 30, 1998

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 11, 1998, the registrant had 7,723,722 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

	April 30 1998	January 31 1998	April 30 1997
		(In Thousands)	
ASSETS:			
Cash and cash equivalents	\$ 2,260	\$ 16,937	\$ 2,119
Short-term investments	1,700	1,637	1,633
Accounts receivable, net	366	2,775	542
Merchandise inventory	142,737	126,498	156,318
Prepaid expenses and other	3,490	2,078	3,861
Future income tax benefits	7,899	7,899	5,544
	-----	-----	-----
Total current assets	158,452	157,824	170,017
PROPERTY AND EQUIPMENT, NET	94,063	93,165	89,480
FUTURE INCOME TAX BENEFITS	9,541	9,541	8,519
	-----	-----	-----
Total assets	\$ 262,056	\$ 260,530	\$268,016
	=====	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:			
Notes payable	\$ 11,608	\$ 0	\$ 25,816
Current portion of long-term debt	3,045	2,959	3,152
Accounts payable, trade	43,548	49,832	41,541
Accrued income taxes	270	1,671	0
Current portion, deferred income and deferred gain on sale and leaseback	11,371	11,402	11,101
Accrued payroll	3,649	5,810	3,315
Other liabilities	7,237	7,263	6,254
	-----	-----	-----
Total current liabilities	80,728	78,937	91,179
	-----	-----	-----

Liabilities and Shareholders' Equity (Continued)

LONG-TERM LIABILITIES:			
Long-term debt	52,490	52,661	52,323
Deferred income	17,426	17,886	17,992
Deferred gain on sale and leaseback	5,028	5,264	5,971
	-----	-----	-----
Total long-term liabilities	74,944	75,811	76,286
SHAREHOLDERS' EQUITY:			
Common stock	97	97	96
Paid-in capital	58,224	57,896	57,336
Retained earnings	65,194	64,175	57,560
Treasury stock	(17,131)	(16,386)	(14,441)
	-----	-----	-----
Total shareholders' equity	106,384	105,782	100,551
Total liabilities and shareholders' equity	\$ 262,056	\$ 260,530	\$ 268,016
	=====	=====	=====

[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
1998 1997

(In Thousands, Except Per Share Amounts)

NET SALES	\$ 87,964	\$ 88,265
	-----	-----
COSTS AND EXPENSES:		
Cost of merchandise sold	63,982	63,870
Selling, general and administrative expenses	21,216	21,573
	-----	-----
Total costs and expenses	85,198	85,443
	-----	-----
INCOME FROM OPERATIONS	2,766	2,822
INVESTMENT INCOME	178	28
INTEREST EXPENSE	1,259	1,532
	-----	-----
Income before provision for income taxes	1,685	1,318
PROVISION FOR INCOME TAXES	666	521
	-----	-----
NET INCOME	\$ 1,019	\$ 797
	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVA- LENT SHARES OUTSTANDING	7,697	7,998
	=====	=====
BASIC NET INCOME PER SHARE	\$ 0.13	\$ 0.10
	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	8,037	8,230
	=====	=====
DILUTED NET INCOME PER SHARE	\$ 0.13	\$ 0.10
	=====	=====

[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				Paid-in Capital	Retained Earnings
	Issued Shares	Amount	Treasury Shares	Amount (In Thousands)		
Balance at April 30, 1997	9,615	\$ 96	1,763	\$14,441	\$57,336	\$57,560
Common stock issued	73	1	0	0	560	0
Treasury stock acquired	0	0	192	1,945	0	0
Net income	0	0	0	0	0	6,615
	-----	-----	-----	-----	-----	-----
Balance at January 31, 1998	9,688	\$ 97	1,955	\$16,386	\$57,896	\$64,175
Common stock issued	47	0	0	0	328	0
Treasury stock acquired	0	0	70	745	0	0
Net income	0	0	0	0	0	1,019
	-----	-----	-----	-----	-----	-----
Balance at April 30, 1998	9,735	\$ 97	2,025	\$17,131	\$58,224	\$65,194
	=====	=====	=====	=====	=====	=====

[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
1998 1997
(In Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,019	\$ 797
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, net	781	743
Deferred income	(491)	(30)
Accounts receivable	2,409	935
Merchandise inventory	(16,239)	(21,285)
Other current assets	(1,414)	(1,644)
Accounts payable, trade	(6,284)	10,276
Other liabilities	(3,588)	(2,775)
	-----	-----
NET CASH USED IN OPERATING ACTIVITIES	(23,807)	(12,983)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Short-term investments	(63)	12
Capital expenditures	(1,913)	(819)
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(1,976)	(807)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in note payable	11,608	13,674
Payments of long-term debt	(723)	(680)
Long-term debt borrowings	638	1,922
Common stock issued	328	107
Treasury stock acquired	(745)	(3,073)
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	11,106	11,950
	-----	-----
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,677)	(1,840)
CASH EQUIVALENTS, beginning of period	16,937	3,959
	-----	-----
CASH AND CASH EQUIVALENTS, end of period	\$ 2,260	\$ 2,119
	=====	=====

[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, 1998

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, 1998.

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 1998 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. 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 1998 presentation.

Notes to Consolidated Financial Statements (Continued)

Note 3. Stock Option Plans

The following summarizes options granted, exercised and cancelled or expired during the quarter ended April 30, 1998:

	Shares Under Stock Option Plans
Outstanding at January 31, 1998 (\$3.375 to \$18.975 per share)	2,287,464
Exercised (\$6.875 to \$8.125 per share)	(46,945)

Outstanding at April 30, 1998 (\$3.375 to \$18.975 per share)	2,240,519

Note 4. Net Income Per Share

Effective January 31, 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 128 "Earnings per Share," which replaces the calculation of primary and fully diluted earnings per share under previous accounting standards with basic and diluted earnings per share. As a result, the Company's reported net income per share amounts for the quarter ended April 30, 1997 have been restated to conform with the requirements of SFAS No. 128. The restatement had no impact on the amounts reported.

The following table reconciles the basic and diluted net income per share computations for each period presented:

	April 30, 1998		
	Income	Shares	Per Share
Basic net income per share	\$1,019	7,697	\$0.13 =====
Effect of stock options	-	340	
	-----	-----	
Diluted net income per share	\$1,019	8,037	\$0.13 =====
	=====	=====	=====

	April 30, 1997		
	Income	Shares	Per Share
Basic net income per share	\$ 797	7,998	\$0.10 =====
Effect of stock options	-	232	
	-----	-----	
Diluted net income per share	\$ 797	8,230	\$0.10 =====
	=====	=====	=====

As of April 30, 1998, a total of 1,133,973 shares subject to outstanding options at exercise prices ranging from \$13.00 to \$18.975 per share were not included in the common equivalent shares outstanding calculation as the exercise prices were above the average trading price of the Company's stock for the quarter ended April 30, 1998.

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 223 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	
	1998	1997
Net sales	100.0%	100.0%
Cost of merchandise sold	72.7	72.4
	-----	-----
Gross profit	27.3	27.6
Selling, general and administrative expense	24.1	24.4
	-----	-----
Income from operations	3.2	3.2
Interest, net	1.2	1.7
	-----	-----
Income before income taxes	2.0	1.5
Provision for income taxes	.8	.6
	-----	-----
Net income	1.2%	.9%
	=====	=====

Comparison of Three Months Ended April 30, 1998 and 1997

Net sales in the first quarter ended April 30, 1998 were \$88.0 million compared to \$88.3 million in the prior year's comparable period, representing a decrease of \$300,000 or 0.3%. This decrease is the result of a 2.4% decline in comparable store sales for the quarter, partially offset by increased sales in non-comparable stores. The Company considers a store to be comparable after it has been open six fiscal quarters.

As of April 30, 1998, the Company had 223 stores compared to 222 stores one year earlier. There was one store opened and none closed during the first quarter of fiscal 1999. The Company evaluates the performance of its stores on a continuous basis and, based on an assessment of factors it deems relevant, will close any store which is not adequately contributing to Company profitability.

Gross profit of \$24.0 million in the first quarter of fiscal 1999 (27.3% of net sales) was 1.7% lower than the \$24.4 million gross profit (27.6% of net sales) recorded in the first quarter of fiscal 1998. The reduced gross profit margin, as a percent of net sales, for the first quarter of fiscal 1999 is primarily the result of a change in the merchandise mix, partially offset by the recognition of a higher amount of extended service contract revenues, which generally have a higher gross profit margin.

Selling, general and administrative expenses for the quarter ended April 30, 1998 were \$21.2 million (24.1% of net sales), a 1.7% decrease from \$21.6 million (24.4% of net sales) for the quarter ended April 30, 1997. The decrease in expense is primarily attributable to lower advertising expenditures in certain markets, partially offset by an increase in incentive commissions for sales personnel.

Interest expense decreased to \$1.3 million in the first quarter of fiscal 1999 from \$1.5 million in the first quarter of fiscal 1998. This decrease is a result of lower borrowings on the line of credit primarily due to lower inventory levels.

The effective tax rate was approximately 39.5% in the first quarter of fiscal 1999 and 1998.

As a result of the foregoing, net income for the first quarter of fiscal 1999 was \$1.0 million, a 27.9% increase from \$797,000 for the first quarter of fiscal 1998.

Liquidity and Capital Resources

Net cash used in operating activities was \$23.8 million for the first quarter of fiscal 1999, compared to \$13.0 million for the prior year first quarter. Cash flow was provided by net income of \$1.0 million adjusted for non-cash charges of \$290,000. The primary use of cash was an increase in inventory of \$16.2 million primarily due to the addition of seasonal air conditioner inventory and a decrease in accounts payable of \$6.3 million due to timing of payments with vendors. Changes in other working capital items also served to decrease cash by approximately \$2.6 million.

At April 30, 1998, working capital was \$77.7 million compared to \$78.9 million at January 31, 1998. The ratio of current assets to current liabilities was 2.0 to 1 at April 30, 1998 and January 31, 1998.

The Company had outstanding borrowings of \$11.6 million on its revolving line of credit at April 30, 1998 at a average interest rate of 8.5%. At April 30, 1998, the Company had approximately \$77.4 million borrowing availability on the revolving line of credit.

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

None.

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, 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

June 12, 1998

STUART A. ROSE
Stuart A. Rose
Chairman of the Board
(Chief Executive Officer)

June 12, 1998

DOUGLAS L. BRUGGEMAN
Douglas L. Bruggeman
Vice President, Finance and
Treasurer
(Principal Financial and
Chief Accounting Officer)

0000744187
REX STORES CORPORATION

1,000
U.S. DOLLARS

3-MOS

	JAN-31-1999	
	FEB-1-1998	
	APR-30-1998	
	1	
		2,260
	1,700	
	834	
	468	
	142,737	
	158,452	
		110,060
	15,997	
	262,056	
80,728		
		52,490
		97
	0	
		0
		106,287
262,056		
		87,964
	87,964	
		63,982
	63,982	
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	1,259	
	1,685	
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1,019		
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	1,019	
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