

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 ended July 31, 1997

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
(State or other jurisdiction of incorporation or organization)

31-1095548
(I.R.S. Employer Identification Number)

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

45414
(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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes (X) No ()

At the close of business on September 11, 1997, the registrant had 7,918,621 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 1997	January 31 1997	July 31 1996
	(In Thousands)		
ASSETS:			
Cash and cash equivalents	\$ 1,656	\$ 3,959	\$ 2,028
Short-term investments	1,647	1,645	1,605
Accounts receivable, net	808	1,477	477
Merchandise inventory	148,174	135,033	148,850
Prepaid expenses and other	5,121	2,219	4,072
Future income tax benefits	5,544	5,544	3,818
	-----	-----	-----
Total current assets	162,950	149,877	160,850
PROPERTY AND EQUIPMENT, NET	91,369	89,638	76,525
FUTURE INCOME TAX BENEFITS	8,519	8,519	8,269
	-----	-----	-----
Total assets	<u>\$ 262,838</u>	<u>\$ 248,034</u>	<u>\$ 245,644</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:			
Notes payable	\$ 28,152	\$ 12,142	\$ 19,487
Current portion of long-term debt	3,190	3,131	2,527
Accounts payable, trade	31,941	31,265	32,642
Accrued income taxes	0	1,077	0
Current portion, deferred income and deferred gain on sale and leaseback	11,257	10,844	10,055
Accrued payroll	4,655	4,866	4,701
Other liabilities	5,758	6,401	5,915
	-----	-----	-----
Total current liabilities	84,953	69,726	75,327
	-----	-----	-----

Liabilities and Shareholders' Equity (Continued)

LONG-TERM LIABILITIES:

Long-term debt	52,219	51,102	40,640
Deferred income	17,683	18,279	17,013
Deferred gain on sale and leaseback	5,736	6,207	6,679
	-----	-----	-----
Total long-term liabilities	75,638	75,588	64,332
	-----	-----	-----

SHAREHOLDERS' EQUITY:

Common stock	97	96	96
Paid-in capital	57,672	57,229	57,138
Retained earnings	58,919	56,763	52,633
Treasury stock	(14,441)	(11,368)	(3,882)
	-----	-----	-----
Total shareholders' equity	102,247	102,720	105,985
	-----	-----	-----
Total liabilities and shareholders' equity	\$ 262,838	\$ 248,034	\$ 245,644
	=====	=====	=====

[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 July 31		Six Months Ended July 31	
	1997	1996	1997	1996
(In Thousands, Except Per Share Amounts)				
NET SALES	\$ 89,899	\$ 95,652	\$178,164	\$193,036
COSTS AND EXPENSES:				
Cost of merchandise sold	64,051	70,931	127,921	143,434
Selling, general and administrative expenses	21,660	20,839	43,233	41,636
Total costs and expenses	85,711	91,770	171,154	185,070
INCOME FROM OPERATIONS	4,188	3,882	7,010	7,966
INVESTMENT INCOME	22	23	50	45
INTEREST EXPENSE	1,963	1,466	3,495	2,670
Income before income taxes	2,247	2,439	3,565	5,341
PROVISION FOR INCOME TAXES	888	964	1,409	2,109
NET INCOME	\$ 1,359	\$ 1,475	\$ 2,156	\$ 3,232
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVA- LENT SHARES OUTSTANDING	8,127	9,401	8,183	9,347
NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE	\$ 0.17	\$ 0.16	\$ 0.26	\$ 0.35

[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 July 31, 1996	9,597	\$ 96	534	\$3,882	\$57,138	\$52,633
Common stock issued	5	-	-	-	91	-
Treasury stock acquired	-	-	854	7,486	-	-
Net income	-	-	-	-	-	4,130
	-----	-----	---	-----	-----	-----
Balance at January 31, 1997	9,602	\$ 96	1,388	\$11,368	\$57,229	\$56,763
Common stock issued	63	1	-	-	443	-
Treasury stock acquired	-	-	375	3,073	-	-
Net income	-	-	-	-	-	2,156
	-----	-----	---	-----	-----	-----
Balance at July 31, 1997	9,665	\$ 97	1,763	\$14,441	\$57,672	\$58,919
	=====	=====	=====	=====	=====	=====

[FN] 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	
	1997	1996
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,156	\$ 3,232
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, net	1,481	1,471
Deferred income	(182)	1,211
Accounts receivable	669	1,126
Merchandise inventory	(13,141)	(2,284)
Other current assets	(2,906)	(439)
Accounts payable, trade	676	(6,883)
Other liabilities	(1,931)	(7,215)
	-----	-----
NET CASH USED IN OPERATING ACTIVITIES	(13,178)	(9,781)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Short-term investments	(2)	(80)
Capital expenditures	(3,680)	(7,974)
Capital disposals	1	85
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(3,681)	(7,969)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in notes payable	16,010	10,160
Payments of long-term debt	(1,354)	(1,062)
Long-term debt borrowings	2,530	9,589
Common stock issued	443	406
Treasury stock acquired	(3,073)	0
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	14,556	19,093
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,303)	1,343
CASH AND CASH EQUIVALENTS, beginning of period	3,959	685
	-----	-----
CASH AND CASH EQUIVALENTS, end of period	\$ 1,656	\$ 2,028
	=====	=====

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

REX STORES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 1997

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, 1997.

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 1997 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.

Notes to Consolidated Financial Statements (Continued)

Note 3. Equivalent Shares Outstanding

The Company follows the treasury method of calculating common equivalent shares outstanding. The following summarizes options granted, exercised and canceled or expired at July 31, 1997:

	Shares Under Stock Option Plans
Outstanding at January 31, 1997 (\$3.375 to \$18.975 per share)	2,119,227
Granted (\$10.375 per share)	290,552
Exercised (\$6.375 to \$8.125 per share)	(64,008)
Expired or canceled (\$8.125 per share)	(7,600)

Outstanding at July 31, 1997 (\$3.375 to \$18.975 per share)	2,338,171
	=====

On February 26, 1997, the Company's Board of Directors approved a re-pricing of 362,035 stock options, with exercise prices ranging from \$13.00 to \$18.975 per share, to the market price as of the date of approval of \$8.125 per share. Stock options held by employees who are members of the Board of Directors and stock options held by Non-Employee Directors were not re-priced.

Note 4. Earnings Per Share

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 (SFAS No. 128) "Earnings per Share," which establishes standards for computing and presenting earnings per share (EPS) for all publicly held companies. SFAS No. 128 replaces the presentation of primary EPS with a presentation of basic EPS and requires the presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures. Basic EPS excludes all dilution, while diluted EPS reflects the potential dilution that could occur if securities, stock options or other contracts to issue common stock were exercised resulting in the issuance of common stock.

The adoption of SFAS No. 128 is required for financial statements issued after December 15, 1997 and requires restatement of all prior period EPS data. Under SFAS No. 128, basic EPS and dilutive EPS would have been as follows:

	Three Months Ended		Six Months Ended	
	July 31		July 31	
	1997	1996	1997	1996
Basic	\$.17	\$.16	\$.27	\$.36
	=====	=====	=====	=====
Diluted	\$.17	\$.16	\$.26	\$.35
	=====	=====	=====	=====

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, operating predominantly in small to medium sized markets in the Midwest and Southeast 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		Six Months Ended	
	July 31		July 31	
	1997	1996	1997	1996
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of merchandise sold	71.2	74.2	71.8	74.3
	-----	-----	-----	-----
Gross profit	28.8	25.8	28.2	25.7
Selling, general and administrative expense	24.1	21.8	24.3	21.6
	-----	-----	-----	-----
Income from operations	4.7	4.0	3.9	4.1
Interest, net	2.2	1.5	1.9	1.3
	-----	-----	-----	-----
Income before income taxes	2.5	2.5	2.0	2.8
Provision for income taxes	1.0	1.0	0.8	1.1
	-----	-----	-----	-----
Net income	1.5%	1.5%	1.2%	1.7%
	=====	=====	=====	=====

Comparison of Six Months Ended July 31, 1997 and 1996

Net sales in the second quarter ended July 31, 1997 were \$89.9 million compared to \$95.7 million in the prior year's comparable period, representing a decrease of \$5.8 million or 6.1%. Net sales for the first half of fiscal 1998 were \$178.2 million compared to \$193.0 million in the first half of fiscal 1997, representing a decrease of \$14.8 million or 7.7%. These decreases are a result of a decline in comparable store merchandise sales of 18.0% for the three months and 19.2% for the six months ended July 31, 1997, partially offset by sales from 21 net additional stores in the current year compared to one year earlier.

As of July 31, 1997, the Company had 219 stores compared to 198 stores one year earlier. There was one store opened and four closed during the first half of fiscal 1998. In the prior year's first half there were two stores opened and three closed. 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 \$25.8 million in the second quarter of fiscal 1998 (28.8% of net sales) was 4.6% higher than the \$24.7 million gross profit (25.8% of net sales) recorded in the second quarter of fiscal 1997. In the first half of fiscal 1998 gross profit was \$50.2 million (28.2% of net sales), a 1.3% increase over the \$49.6 million (25.7% of net sales) for the first half of fiscal 1997. The improved gross profit margin, as a percent of sales, for the second quarter and first half of fiscal 1998 was primarily the result of lower merchandise cost on certain products due to opportunistic purchasing and 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 second quarter of fiscal 1998 were \$21.7 million (24.1% of net sales), a 3.9% increase over the \$20.8 million (21.8% of net sales) for the second quarter of fiscal 1997. Selling, general and administrative expenses for the first half of fiscal 1998 were \$43.2 million (24.3% of net sales), a 3.8% increase over the \$41.6 million (21.6% of net sales) for the first half of fiscal 1997. The increase in expenses was primarily attributable to higher advertising costs and operating expenses associated with more store locations. The increase in expense as a percent of net sales resulted from the decline in comparable store sales.

Interest expense increased to \$2.0 million (2.2% of net sales) for the quarter ended July 31, 1997 from \$1.5 million (1.5% of net sales) for the second quarter of fiscal 1997. Interest expense for the first half of fiscal 1998 increased to \$3.5 million (1.9% of net sales) from \$2.7 million (1.3% of net sales) for the first half

of fiscal 1997. This increase is primarily a result of additional mortgage debt of approximately \$12.2 million (at an average interest rate of approximately 8.8%) since July 31, 1996 associated with more Company owned store locations. The increase in interest expense is also attributable to additional borrowings on the line of credit (average outstanding borrowings of \$28.8 million and \$21.5 million for the second quarter and first six months of fiscal 1998, respectively, versus average outstanding borrowings of \$24.2 million and \$20.9 million for the second quarter and first six months of fiscal 1997, respectively).

The effective tax rate was approximately 39.5% for all periods presented.

As a result of the foregoing, net income for the second quarter of fiscal 1998 was \$1.4 million, a 7.9% decline from \$1.5 million for the second quarter of fiscal 1997. Net income for the first half of fiscal 1998 was \$2.2 million, a 33.3% decrease from \$3.2 million for the first half of fiscal 1997.

Liquidity and Capital Resources

Net cash used in operating activities was \$13.2 million for the six months ended July 31, 1997. Cash was provided by net income of \$2.2 million, adjusted for non-cash charges of \$1.3 million. The primary use of cash was an increase in inventory of \$13.1 million primarily due to the addition of seasonal air conditioner inventory and opportunistic purchases. Changes in other working capital items also served to decrease cash by approximately \$3.6 million.

At July 31, 1997, working capital was \$78.0 million compared to \$80.2 million at January 31, 1997. The ratio of current assets to current liabilities was 1.9 to 1 at July 31, 1997 and 2.1 to 1 at January 31, 1997.

The Company had outstanding borrowings on its revolving line of credit of \$28.2 million at July 31, 1997 at an average interest rate of 7.7%. At July 31, 1997, the Company had approximately \$64.7 million borrowing availability on the revolving line of credit after reduction for the outstanding letter of credit.

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 6, 1997, at which the following matter was submitted to a vote of shareholders:

1. Election of six directors. The vote on this matter was as follows:

Nominee	For	Withheld	Broker Nonvotes
Stuart Rose	7,210,780	10,095	0
Lawrence Tomchin	7,210,780	10,095	0
Robert Davidoff	7,210,780	10,095	0
Tibor Fabian	7,210,780	10,095	0
Edward Kress	7,210,780	10,095	0
Lee Fisher	7,210,780	10,095	0

Item 6. Exhibits and Reports on Form 8-K.

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

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(b) Reports on Form 8-K. No reports on Form 8-K were filed during the quarter ended July 31, 1997.

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

September 12, 1997

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

September 12, 1997

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

6-MOS

	JAN-31-1998	FEB-1-1997	JUL-31-1997
		1	1,656
		1,647	
		1,154	
		346	
		148,174	
	162,950		104,893
		13,524	
		262,838	
	84,953		52,219
			97
	0		0
			102,150
262,838			178,164
	178,164		127,921
		127,921	
		0	
		0	
	3,495		
		3,565	
		1,409	
	2,156		
		0	
		0	
			0
		2,156	
		.26	
		.26	

