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 October 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	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 (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 December 11, 1997, the registrant had 7,924,821 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

	October 31 1997	January 31 1997	October 31 1996
		(In Thousands)	
ASSETS:			
Cash and cash equivalents	$ 1,836	$ 3,959	$ 1,763
Short-term investments	1,627	1,645	1,625
Accounts receivable, net	791	1,477	1,073
Merchandise inventory	169,345	135,033	170,879
Prepaid expenses and other	3,929	2,219	4,889
Future income tax benefits	6,624	5,544	3,818
Total current assets	184,152	149,877	184,047
PROPERTY AND EQUIPMENT, NET	93,676	89,638	86,368
FUTURE INCOME TAX BENEFITS	10,219	8,519	8,269
Total assets	$ 288,047	$ 248,034	$ 278,684

LIABILITIES AND SHAREHOLDERS' EQUITY

	October 31 1997	January 31 1997	October 31 1996
CURRENT LIABILITIES:			
Notes payable	$ 29,861	$ 12,142	$ 36,501
Current portion of long-term debt	3,234	3,131	2,595
Accounts payable, trade	55,598	31,265	50,356
Accrued income taxes	-	1,077	-
Current portion, deferred income and deferred gain on sale and leaseback	11,350	10,844	10,442
Accrued payroll	4,979	4,866	4,961
Other liabilities	5,868	6,401	5,731
Total current liabilities	110,890	69,726	110,586

Liabilities and Shareholders' Equity (Continued)

LONG-TERM LIABILITIES:			
Long-term debt	51,499	51,102	40,605
Deferred income	17,364	18,279	17,117
Deferred gain on sale and leaseback	5,500	6,207	6,443
Total long-term liabilities	74,363	75,588	64,165
SHAREHOLDERS' EQUITY:			
Common stock	97	96	96
Paid-in capital	57,836	57,229	57,141
Retained earnings	59,302	56,763	52,885
Treasury stock	(14,441)	(11,368)	(6,189)
Total shareholders' equity	102,794	102,720	103,933
Total liabilities and shareholders' equity	$ 288,047	$ 248,034	$ 278,684

[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 October 31		Nine Months Ended October 31	
	1997	1996	1997	1996
	(In Thousands, Except Per Share Amounts)			
NET SALES	$ 87,967	$ 90,543	$266,131	$283,579
COSTS AND EXPENSES:				
Cost of merchandise sold	63,475	67,990	191,396	211,424
Selling, general and administrative expenses	21,973	20,793	65,206	62,430
Total costs and expenses	85,448	88,783	256,602	273,854
INCOME FROM OPERATIONS	2,519	1,760	9,529	9,725
INVESTMENT INCOME	23	17	73	62
INTEREST EXPENSE	1,911	1,361	5,406	4,030
Income before income taxes	631	416	4,196	5,757
PROVISION FOR INCOME TAXES	248	164	1,657	2,273
NET INCOME	$ 383	$ 252	$ 2,539	$ 3,484
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	8,203	9,316	8,185	9,322
NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE	$ 0.05	$ 0.03	$ 0.31	$ 0.37

[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		Treasury		Paid-in	Retained
	Shares	Amount	Shares	Amount	Capital	Earnings
			(In Thousands)			
Balance at October 31, 1996	9,598	$ 96	759	$6,189	$57,141	$52,885
Common stock issued	4	-	-	-	88	-
Treasury stock acquired	-	-	629	5,179	-	-
Net income	-	-	-	-	-	3,878
Balance at January 31, 1997	9,602	$ 96	1,388	$11,368	$57,229	$56,763
Common stock issued	83	1	-	-	607	-
Treasury stock acquired	-	-	375	3,073	-	-
Net income	-	-	-	-	-	2,539
Balance at October 31, 1997	9,685	$ 97	1,763	$14,441	$57,836	$59,302

[FN]

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

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended October 31 1997	1996
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,539	$ 3,484
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, net	2,228	2,163
Deferred income	(409)	1,657
Future income tax benefits	(2,780)	0
Accounts receivable	686	531
Merchandise inventory	(34,312)	(24,313)
Other current assets	(1,715)	(3,068)
Accounts payable, trade	24,333	10,831
Other liabilities	(1,497)	(5,331)
NET CASH USED IN OPERATING ACTIVITIES	(10,927)	(14,046)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Short-term investments	18	(100)
Capital expenditures	(6,975)	(18,931)
Capital disposals	8	318
NET CASH USED IN INVESTING ACTIVITIE	(6,949)	(18,713)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in notes payable	17,719	27,174
Payments of long-term debt	(2,030)	(1,674)
Long-term debt borrowings	2,530	10,234
Common stock issued	607	410
Treasury stock acquired	(3,073)	(2,307)
NET CASH PROVIDED BY FINANCING ACTIVITIES	15,753	33,837
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,123)	1,078
CASH AND CASH EQUIVALENTS, beginning of period	3,959	685
CASH AND CASH EQUIVALENTS, end of period	$ 1,836	$1,763

[FN]

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

REX STORES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 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.

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 October 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)	(84,290)
Expired or canceled ($8.125 per share)	(7,600)
Outstanding at October 31, 1997 ($3.375 to $18.975 per share)	2,317,889

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 October 31		Nine Months Ended October 31	
	1997	1996	1997	1996
Basic	$ .05	$ .03	$ .32	$ .39
Diluted	$ .05	$ .03	$ .31	$ .37

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, Southeast and Northwest 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 October 31		Nine Months Ended October 31	
	1997	1996	1997	1996
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of merchandise sold	72.2	75.1	71.9	74.6
Gross profit	27.8	24.9	28.1	25.4
Selling, general and administrative expense	25.0	23.0	24.5	22.0
Income from operations	2.8	1.9	3.6	3.4
Interest, net	2.1	1.4	2.0	1.4
Income before income taxes	0.7	0.5	1.6	2.0
Provision for income taxes	0.3	0.2	0.6	0.8
Net income	0.4%	0.3%	1.0%	1.2%

Comparison of Nine Months Ended October 31, 1997 and 1996

Net sales in the third quarter ended October 31, 1997 were $87.9 million compared to $90.5 million in the prior year's comparable period, representing a decrease of $2.6 million or 2.8%. Net sales for the first nine months of fiscal 1998 were $266.1 million compared to $283.6 million for the first nine months of fiscal 1997, representing a decrease of $17.5 million or 6.2%. These decreases are a result of a decline in comparable store merchandise sales of 11.1% for the third quarter and 16.4% for the nine months ended October 31, 1997, partially offset by sales from 14 net additional stores in the current year compared to one year earlier.

As of October 31, 1997 there were 218 stores compared to 204 stores one year earlier. There were three stores opened and seven closed during the nine months ended October 31, 1997, compared to opening 11 stores and closing six during the nine months ended October 31, 1996. During the fourth quarter of the current fiscal year the Company has opened an additional five stores bringing the total opened for the year to eight stores. 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 $24.5 million (27.8% of net sales) in the third quarter of fiscal 1998 was 8.6% higher than the $22.6 million (24.9% of net sales) gross profit recorded in the third quarter of fiscal 1997. For the first nine months of fiscal 1998, gross profit was $74.7 million (28.1% of net sales), a 3.6% increase over the $72.2 million (25.4% of net sales) for the first nine months of fiscal 1997. The improved gross profit margin, as a percent of sales, for the third quarter and first nine months 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 third quarter of fiscal 1998 were $22.0 million (25.0% of net sales), a 5.7% increase over the $20.8 million (23.0% of net sales) for the third quarter of fiscal 1997. Selling, general and administrative expenses for the first nine months of fiscal 1998 were $65.2 million (24.5% of net sales), a 4.4% increase over the $62.4 million (22.0% of net sales) for the first nine months of fiscal 1997. The increase in expenses was primarily attributable to higher advertising costs and operating expenses associated with more store locations and increased incentive commissions for sales personnel. The increase in expenses as a percent of net sales resulted primarily from the decline in comparable store sales.

Interest expense increased to $1.9 million (2.1% of net sales) for the third quarter ended October 31, 1997 from $1.4 million (1.4% of net sales) for the third quarter of fiscal 1997. Interest expense for the first nine months of fiscal 1998 increased to $5.4 million (2.0% of net sales) from $4.0 million (1.4% of net sales) for the first nine months of fiscal 1997. This increase is primarily a result of additional mortgage debt of approximately $11.5 million (at an average interest rate of approximately 8.8%) since October 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 $26.2 million and $23.1 million for the third quarter and first nine months of fiscal 1998, respectively, versus average outstanding borrowings of $20.1 million and $20.7 million for the third quarter and first nine 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 third quarter of fiscal 1998 was $383,000, an 52% increase over $252,000 for the third quarter of fiscal 1997. Net income for the first nine months of fiscal 1998 was $2.5 million, a 27.1% decrease from $3.5 million for the first nine months of fiscal 1997.

Liquidity and Capital Resources

Net cash used in operating activities was $10.9 million for the nine months ended October 31, 1997. Cash was provided by net income of $2.5 million, adjusted for non-cash charges of $1.8 million. The primary use of cash was an increase in inventory of $34.3 million due to preparations for the Christmas selling season and opportunistic purchases. This was partially offset by an increase in trade payables of $24.3 million. Changes in other working capital items also served to decrease cash by approximately $5.3 million.

At October 31, 1997, working capital was $73.3 million compared to $80.2 million at January 31, 1997. The ratio of current assets to current liabilities was 1.7 to 1 at October 31, 1997 and 2.1 to 1 at January 31, 1997.

The Company had outstanding borrowings on its revolving line of credit of $29.9 million at October 31, 1997 at an average interest rate of 7.8%. At October 31, 1997, the Company had approximately $76.1 million borrowing availability on the revolving line of credit.

Forward-Looking Statements

This Form 10-Q contains 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 this report.

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......................	17
99	Cautionary Statement under the Safe Harbor for Forward-Looking Statements in the Private Securities Litigation Reform Act of 1995.....	18

(b) Reports on Form 8-K. No reports on Form 8-K were filed during the quarter ended October 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

December 11, 1997	/s/Stuart A. Rose Stuart A. Rose Chairman of the Board (Chief Executive Officer)
December 11, 1997	/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
1,000
U.S. DOLLARS

9-MOS
JAN-31-1998
FEB-1-1997
OCT-31-1997
1
1,836
1,627
1,228
437
169,345
184,152
107,855
14,179
288,047
110,890
51,499
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191,396
191,396
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5,406
4,196
1,657
2,539
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.31
.31

Exhibit 99

Certain statements in filings by REX Stores Corporation (the "Company") with the Securities and Exchange Commission, in the Company's press releases and in oral statements made by or with the approval of an authorized executive officer of the Company constitute 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 include, but are not limited to, the following:

* Demand for the Company's products, which is dependent upon factors such as general economic conditions, availability of consumer credit, consumer confidence, consumer spending patterns and preferences, introduction and acceptance of new products and product features and the continued popularity of existing products in the Company's product categories;

* Changes in the level of competition from current competitors and potential new competition from both retail stores and alternative methods of distribution such as electronic and telephone shopping services and mail order;

* Availability of working capital financing from lending institutions and vendors and availability of long-term financing to support development of stores and distribution facilities;

* The Company's ability to identify additional market areas in which it can successfully compete, locate suitable store sites and hire and train qualified personnel;

* Loss of a significant vendor(s) or prolonged disruptions in product supply;

* Changes in the cost of the Company's advertising or in support from vendors for co-op advertising and promotional programs;

* Additional governmental or manufacturers restrictions or regulations on the sale of products or services by the Company;

* Adverse results in significant litigation matters (if any); and

* Seasonality of the Company's business and its dependence on the Christmas selling season.