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        COMPANY DATA:
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                CENTRAL INDEX KEY:                      0000001952
                STANDARD INDUSTRIAL CLASSIFICATION:     CONSTRUCTION SPECIAL TRADE
                IRS NUMBER:                             231712949
                STATE OF INCORPORATION:                 PA
                FISCAL YEAR END:                        1231

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

Quarterly Report under Section 13 or 15(d)

of the Securities Exchange Act of 1934

For Quarter Ended September 30, 1997 Commission File Number 2-36877

IREX CORPORATION

Pennsylvania 23-1712949

120 North Lime Street, Lancaster 17603

Registrant's Telephone Number,Including Area Code, (717) 397-3633

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

Common Shares Outstanding (Single Class) 379,434

IREX CORPORATION AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

The condensed financial statements included herein have been prepared by Irex Corporation (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations.
The financial information presented herein reflects all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. Certain prior period amounts have been reclassified to conform with the current presentation. The results for interim periods are not necessarily indicative of the results to be expected for the full year.

IREX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Third Quarter 1997	Third Quarter 1996	Nine Months Ended September 30 1997	Nine Months Ended September 30 1996
	(In Thousands Except Per Common Share Amounts)			
Contracting Revenues	$ 34,493	$ 31,950	$ 95,892	$ 99,082
Distribution and Other Revenues	39,046	34,886	109,038	97,357
Total Revenues	73,539	66,836	204,930	196,439
Cost of Revenues	57,712	52,241	160,149	153,181
Gross Profit	15,827	14,595	44,781	43,258
Selling, General and Administrative Expenses	13,891	12,703	40,604	39,371
Operating Income	1,936	1,892	4,177	3,887
Interest Expense, Net	502	439	1,406	1,299
Income Before Income Taxes	1,434	1,453	2,771	2,588
Income Tax Provision	640	601	1,255	1,132
Net Income	$ 794	$ 852	$ 1,516	$ 1,456
Less: Dividend Requirements for Preferred Stock	(245)	(245)	(735)	(735)
NET INCOME APPLICABLE TO COMMON STOCK	$ 549	$ 607	$ 781	$ 721
Per Common Share Amounts				
Average Common Shares Outstanding	383,924	390,517	385,418	392,241
Net Income per Common Share	$ 1.43	$ 1.55	$ 2.03	$ 1.84

IREX CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30 1997	December 31 1996
	(In Thousands)	
ASSETS		
Cash and Cash Equivalents	$ 988	$ 193
Receivables, Net	58,038	53,520
Inventories	15,168	14,125
Actual Costs and Estimated Earnings on Contracts in Process in Excess of Billings	5,857	5,130
Prepaid Income Taxes	393	-
Other Prepaid Expenses	726	1,022
Deferred Income Taxes	4,759	4,759
Total Current Assets	85,929	78,749
Property and Equipment, Net	3,027	3,082

Non-Current Deferred Income Taxes	3,425	3,425
Other Assets	59	69
TOTAL ASSETS	$ 92,440	$ 85,325
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Notes Payable	$ 18,273	$ 12,169
Current Portion of Long-Term Debt	2,557	3,257
Accounts Payable	12,626	10,617
Billings in Excess of Actual Costs and Estimated Earnings on Contracts in Process	3,001	2,786
Accrued Workers' Compensation Insurance	501	2,795
Accrued Liabilities	4,041	12,814
Accrued Income Taxes	-	198
Total Current Liabilities	50,999	44,636
Long-Term Debt (Less Current Portion)	7,429	9,286
Non-Current Liabilities	11,135	9,127
Redeemable Preferred Stock	10,490	10,490
Capital Stock	1,028	1,028
Paid-in Surplus	449	459
Retained Earnings	29,892	29,110
Cumulative Translation Adjustments	(172)	(165)
Treasury Stock at Cost	(18,810)	(18,646)
Total Shareholders' Investment	12,387	11,786
TOTAL LIABILITIES AND SHAREHOLDERS' INVESTMENT	$ 92,440	$ 85,325

IREX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30	
	1997	1996
	(In Thousands)	
Cash Flows from Operating Activities:		
Net Income	$ 1,516	$ 1,456
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	675	650
Provision for losses on accounts receivable	89	122
(Increase) decrease in current assets		
Receivables	(4,607)	(1,590)
Inventories	(1,043)	(1,529)
Prepaid income taxes and other prepaid expenses	(97)	(592)
Actual costs and estimated earnings on contracts in process in excess of billings, net	(512)	2,289
Increase (decrease) in liabilities		
Accounts payable	2,009	2,311
Accrued income taxes	(198)	-
Accrued liabilities and other liabilities	941	2.479

Net cash (used for) provided by operating activities	(1,227)	5,596
Cash Flows from Investing Activities:		
Net additions to property and equipment	(620)	(606)
Decrease in other assets	4	42
Net cash used for investing activities	(616)	(564)
Cash Flows from Financing Activities:		
Net borrowings from revolving lines of credit	6,104	(1,174)
Payment on long-term debt	(2,557)	(2,558)
Dividends paid	(735)	(735)
Reissuance of common stock	48	15
Repurchase of common stock	(222)	(105)
Net cash provided by (used for) financing activities	2,638	(4,557)
Net Increase in Cash and Cash Equivalents	795	475
Cash and Cash Equivalents at Beginning of Period	193	411
Cash and Cash Equivalents at End of Period	$ 988	$ 886

IREX CORPORATION AND SUBSIDIARIES
September 30, 1997 and 1996

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) The consolidated financial statements include the accounts of Irex Corporation (the "Company") and its subsidiaries, all of which are wholly owned. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company consists of two business units. The distribution unit is a distributor and fabricator of mechanical insulation and architectural products. The companies in the specialty contracting unit principally engage in mechanical insulation, abatement, fire protection, and interior finish contracting.

(2) The Company has authorization for 2,000,000 shares of its common stock with a par value of $1.00 per share. At September 30, 1997, 1,028,633 shares were issued, 379,434 shares were outstanding and 649,199 shares were held, at cost, in Treasury stock.

(3) All highly liquid investments with a maturity of three months or less at the time of purchase are considered to be cash equivalents. The Company's income tax and interest payments for the first nine months of 1997 and 1996 were:

	1997	1996
Income Taxes:	$1,846,000	$1,524,000
Interest:	$1,233,000	$1,065,000

(4) In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 128, "Earnings Per Share". Although early application of the standard is prohibited, footnote disclosure of pro forma earnings per share amounts is permitted. Basic earnings per share, as computed under the new Statement, are unchanged from

those amounts reported for both the nine months and third quarters ended September 30, 1997 and 1996. Diluted earnings per share are $1.99 and $1.83 for the nine months and $1.40 and $1.55 for the third quarter of the respective September 30 periods.

IREX CORPORATION AND SUBSIDIARIES
September 30, 1997 and 1996

Management's Discussion and Analysis of
Financial Condition and Results of Operations

Results from Operations:

In the third quarter of 1997, the Company reported income from operations of $1,936,000. While this result indicates a slight improvement as compared to $1,892,000 reported in last year's third quarter, it was achieved on a sales base that was $6.7 million higher than the third quarter of 1996. For the nine months ended September 30, 1997, operating income of $4,177,000 represents a 7.5% increase over the $3,887,000 reported during the first nine months of 1996. The 1997 third quarter results, continuing the momentum begun with a strong first six months, have led to the Company's highest year-to-date operating income since 1989.

After the preferred stock dividend requirement, net income applicable to common shareholders was $549,000, or $1.43 per share, for the third quarter of 1997. The comparable period of 1996 indicated net income of $607,000, or $1.55 per share. For the nine-month period ended September 30, 1997, net income was $781,000, or $2.03 per common share. The comparable year-to-date period of 1996 showed net income of $721,000, or $1.84 per common share.

The following table presents for the periods indicated certain items in the Company's consolidated statements of income as a percentage of total revenue:

	Three Months Ended September 30		Nine Months Ended September 30	
	1997	1996	1997	1996
Contracting Revenues	46.9%	47.8%	46.8%	50.4%
Distribution and Other Revenues	53.1%	52.2%	53.2%	49.6%
Total Revenues	100.0%	100.0%	100.0%	100.0%
Gross Profit Margin	21.5%	21.8%	21.9%	2.0%
Income from Operations	2.6%	2.8%	2.0%	2.0%
Net Income Before Preferred Dividend	1.1%	1.3%	0.7%	0.7%

Revenues:

Total revenues of $73,539,000 for the three months ended September 30, 1997 are 10.0% above the $66,836,000 reported for the similar period of a year ago. Year-to-date revenues of $204,930,000 are 4.3% ahead of the $196,439,000 achieved for the first nine months of 1996. It represents the first time in the Company's history that $200 million was reached by the end of the third quarter.

Contracting revenues were $34,493,000 for the quarter ended September 30, 1997. This represents the strongest quarter since the second quarter of 1996, and reflects an 8.0% increase over the $31,950,000 reported for the third quarter of 1996. However, nine-month revenues of $95,892,000 fell short of the $99,082,000 for the comparable period in 1996.

Distribution revenues surpassed $39 million in the third quarter of 1997, increasing $4.2 million over the $34,886,000 for last year's similar period.

The year-to-date record total of $109,038,000 is 12.0% ahead of the $97,357,000 achieved for the first nine months of 1996. The nine-month result represents another milestone as the Company's distribution revenues exceeded $100 million after three quarters for the first time. Five branches opened between May 1996 and January 1997 accounted for approximately 45% of the $11.7 million increase in nine-month revenues.

Gross Profit:

For the quarter ended September 30, 1997, gross profit was $15,827,000, an increase of $1,232,000 from the $14,595,000 reported for the comparable quarter of 1996. Gross profit margins were 21.5% and 21.8% for the respective periods. For the nine months ended September 30, 1997, margins were 21.9%, relatively unchanged from 22.0% during the same period of 1996. Contracting margins remained stable at 21.9% in the comparable year-to-date periods. Distribution margins moved downward slightly to 21.8% from the 22.1% for the first nine months of 1996. This change is partly attributable to a slight increase in concentration of lower-margin export sales as a percentage of total sales. For the Company, gross profit dollars for the nine months ended September 30, 1997 increased $1.5 million over the same period in 1996 as total revenues were up $8.5 million for the comparable periods.

Selling, General, and Administrative Expenses:

Selling, general and administrative (operating) expenses totaled $13,891,000, or 18.9% of revenues, for the quarter ended September 30, 1997. Prior-year expenses for the similar period amounted to $12,703000, or 19.0% of revenues. For the nine months ended September 30, operating expenses, as a percentage of total revenues, were 19.8% in 1997 and 20.0% in 1996.

Year-to-date operating costs for the contracting businesses decreased by $0.6 million as compared to the similar period in 1996. Expenses for the distribution operations grew by $1.3 million during the comparable periods, most of which can be attributed to the five new branches as previously noted. Operating expenses for the Company totaled $40,604,000 for the nine months ended September 30, 1997 versus $39,371,000 for the comparable period in 1996.

Financial Condition and Liquidity:

At September 30, 1997, the Company has working capital of $34.9 million and stockholders' equity (excluding preferred stock) of $12.4 million. Working capital at December 31, 1996 was $34.1 million and stockholders' equity was $11.8 million. The increase in both accounts receivable and notes payable (outstanding balances under the unsecured lines of credit) is partially attributable to continued expansion of the distribution business and a general increase in the collection period for the contracting operations.

Total debt outstanding at September 30, 1997 was $28.3 million compared to $24.7 million at December 31, 1996. Available short-term lines of credit as of September 30, 1997 were $21.3 million, and a commitment letter has been signed which will increase available lines by $4.0 million. The short-term lines of credit remain adequate to provide sufficient liquidity for operations. Outstanding balances under these unsecured lines of credit as of September 30, 1997 were $18.3 million, an increase of $6.1 million from December 31, 1996. Long-term debt, excluding current portion, is $7.4 million at September 30, 1997.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company's ACandS, Inc. subsidiary is one of a number of defendants in pending lawsuits filed by approximately 106,000 individual claimants seeking damages for injuries allegedly caused by exposure to asbestos fibers in insulation products used at one time by ACandS in its business. ACandS has defenses to these actions, including defenses based on the fact it is primarily a contracting company in the business of installing products manufactured by others. During the first three quarters of 1997, ACandS was served with cases involving 24,825 individual plaintiffs. In 1996, ACandS was served with cases involving approximately 37,777 individual plaintiffs. Of the 1996 filings, 24,564 were served in the first half of the year. There were 44,904 new plaintiffs in 1995; 18,122 new plaintiffs in 1994; and 20,542 new plaintiffs in 1993.

The great majority of the filings in 1995, 1996 and the first three quarters of 1997 appear to be the direct result of screenings and other mass solicitation efforts. Of the claims filed during the period, approximately 70% were filed in either Texas, West Virginia or by the Maritime Legal Clinic. Most of the Maritime Legal Clinic filings have been administratively dismissed, West Virginia filings were reduced substantially during the second half of 1996 and first half of 1997 and on May 29, 1997 Texas enacted tort reform legislation designed to limit the filings in Texas by non-Texas plaintiffs.

It is the pattern in this litigation for suits to be filed as the result of mass screenings of individuals employed at a particular facility, through a particular union local, or by a particular employer. It is ACandS's experience that such suits are often filed with little investigation as to whether the claimant ever had any causative exposure to asbestos-containing products associated with the various named defendants. Because of this pattern, historically, about half of the cases filed against ACandS have been closed without payment. As the scope of the mass screening programs has increased, the degree of illness of the claimants has appeared to diminish.

The defense of the cases pending against ACandS is now being handled by the Travelers Property Casualty Corp. with the participation of other insurers that wrote coverage for ACandS. Virtually all of ACandS's liability and defense costs for these cases are being paid by ACandS's insurance carriers.

Since the beginning of 1981, approximately 144,000 individual claims against ACandS have been settled, dismissed or otherwise resolved. Although payments in individual cases have varied considerably, ACandS's percentage of the aggregate liability payments for those cases has been small. As a result, ACandS's average resolution cost for closed cases is very low. The resolution cost per closed case in recent years has been consistent with long-term averages. Bankruptcy filings by a number of companies which had been significant defendants in asbestos cases have not significantly increased the cost of resolving cases.

On July 29, 1991, the Judicial Panel on Multidistrict Litigation ordered that all asbestos-related bodily injury cases pending in the Federal trial courts and not then in trial should be transferred to Judge Charles R. Weiner in the United States District Court for the Eastern District of Pennsylvania for coordinated or consolidated pretrial proceedings. These proceedings involved less than one-fourth of the cases then pending against ACandS.
Subsequently, on January 15, 1993, certain plaintiffs' counsel and the members of the Center for Claims Resolution (an organization of 20 asbestos litigation defendants) filed a class action complaint, answer and settlement agreement involving all previously unasserted claims by individuals who have been occupationally exposed to asbestos fibers, which was assigned to Judge Weiner as related to the Multidistrict Litigation proceedings. On June 25, 1997, the U.S. Supreme Court affirmed dismissal of the class action and settlement, finding that the case did not meet the requirements of the rules

permitting class actions. It is unclear what course the multidistrict proceeding will now take.

Although the large number of pending cases, the continued efforts of certain courts to clear dockets through consolidated proceedings, the bankruptcy filings by defendants, efforts toward national solutions, and the transfer of federal cases to the United States District Court for the Eastern District of Pennsylvania render prediction uncertain, ACandS expects that its percentage of liability payments will continue to be relatively small.

ACandS has secured the commitment through final settlement agreements of a very large percentage of the very substantial insurance coverage applicable to its asbestos-related bodily injury claims. ACandS believes it will secure additional coverage, if needed, from those insurers which have not to date settled with ACandS.

Given the number of currently pending cases and the rate of new filings, it is anticipated that the aggregate amount to be paid by all defendants for asbestos-related bodily injury claims will be very large. Nevertheless, as noted, ACandS's percentage of aggregate liability payments is expected to remain small. Management, therefore, believes that ACandS's insurance coverage is adequate to ensure that these actions will not have a material adverse effect on the long-term business or financial position of the Company.

ACandS is also one of a number of defendants in six actions by the owners of schools and other buildings seeking to recover costs associated with the replacement or treatment of installed asbestos-containing products. These cases involve school buildings, public buildings, and office buildings. One of the cases is an alleged class action.

ACandS has substantial defenses to the actions, including defenses based upon the character of its operations and the fact that ACandS did not manufacture the asbestos-containing products involved. Moreover, ACandS potentially has indemnification and/or contribution claims against the product manufacturers. To date, ACandS has been dismissed from 102 cases, largely on the basis it had no connection with the products at issue in the claimants' buildings, and has agreed to settle 15 claims. The aggregate amount paid has been very small in the context of this litigation. ACandS was not served with any new building-related cases in 1995, 1996 or the first three quarters of 1997. Since 1990, only three new building-related cases have been served on ACandS.

The Travelers Property Casualty Corp. is currently providing ACandS with a defense in these building cases, as well as paying settlements when necessary. Coverage based on policies of the Travelers Insurance Companies is furnished pursuant to a settlement agreement, but coverage based on policies of Aetna Casualty and Surety Co. (now part of Travelers) is subject to asserted reservations of rights to later contest both the availability and the amount of coverage. Required payments, nevertheless, continue to be made on the Aetna policies.

Decisions in litigation involving insurance coverage available for other defendants in asbestos building cases have thus far varied widely. The appellate rulings which have fully considered coverage issues for asbestos building claims to date provide significant coverage for policyholders. The decisions are consistent with ACandS's view that the trend in the courts is to provide broad coverage for asbestos building cases.

Although the availability of coverage for existing and future suits is not resolved, and the aggregate potential loss from these suits may be significant, management believes that ACandS's defenses, potential indemnification and/or contribution rights and insurance coverage are adequate to ensure that these actions will not have a material adverse effect on the long-term business or financial position of the Company.

On August 27, 1997, the U.S. Occupational, Safety and Health Administration issued a Citation and Notification of Penalty to Centin Corporation proposing a fine of $307,350 for alleged regulatory violations involving asbestos abatement work at Wright Patterson Air Force Base. The Assistant U.S. Attorney for Dayton, Ohio has also advised Centin of an intention to pursue sanctions in connection with alleged violations of environmental law on this project. Centin had previously disciplined employees for breach of company policy involving this work. Centin believes, however, that the governmental agencies do not fully understand the facts involved in this situation, and that the violations alleged are either incorrect or substantially overstated. Centin has filed a Notice of Contest to the OSHA citation, and is in the process of presenting additional information to both agencies.

From time to time, the Company and its subsidiaries are also parties as both plaintiff and defendant to various claims and litigation arising in the normal course of business, including claims concerning work performed under various contracts. In the opinion of management, the outcome of the alleged Wright Patterson Air Force Base violations, as well as claims and litigation arising in the normal course of business, will not materially affect the Company's long-term business, financial position or results of operations.

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.

IREX CORPORATION

Date: November 14, 1997

J. E. Pinkerton
Senior Vice President
Finance and Administration

Duly Authorized Signer

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