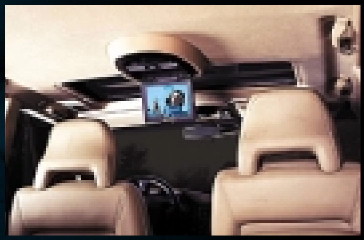
AUDIOVOX

A Clear Vision of Our Market Potential 2001 Annual Report


Corporate Profile

We at Audiovox extend our heartfelt sympathy to the families and victims of the terrorist attacks in America on September 11, 2001.

>> FOCUSED

Audiovox products are marketed under the well-recognized Audiovox brand as well as other company owned trademarked names. We enjoy a leadership position in every market that we service including the number one market share in Mobile Video Products and a significant market share in CDMA phones. Our extensive distribution network and our long-standing industry relationships have allowed us to benefit from growing market opportunities in all of the markets we serve.

Our Subsidiaries

Wireless Communications: Our Wireless Communications company, Audiovox Communications Corp., is a 95% owned subsidiary which accounts for 76% of our revenue. ACC markets wireless handsets and accessories through domestic and international wireless carriers and their agents, independent distributors and retailers.

Electronics: Our Electronics company, Audiovox Electronics Corp., is a wholly owned subsidiary that markets consumer and mobile electronics products. AEC markets its products through mass merchandisers, retailers, specialty retailers, distributors to new car dealers, original equipment manufacturers (OEMs), and the U.S. military.

"We are committed to increasing brand recognition and will continue to aggressively support the Audiovox brand."

Selected Financial Data

(Dollars in thousands, except per share data)	*Years ended November 30, 1997, 1998, 1999, 2000 and 2001:* 1997	1998	1999	2000	**2001**
Net sales	$640,681	$618,237	$1,161,533	$1,704,459	**$1,267,746**
Income (loss) before extraordinary item	21,022	2,972	27,246	25,040	**(8,209)**
Extraordinary item	—	—	—	2,189	**—**
Net income (loss)	21,022	2,972	27,246	27,229	**(8,209)**
Net income (loss) per common share before extraordinary item:					
Basic	1.11	0.16	1.43	1.17	**(0.38)**
Diluted	1.09	0.16	1.39	1.11	**(0.38)**
Net income (loss) per common share:					
Basic	1.11	0.16	1.43	1.27	**(0.38)**
Diluted	1.09	0.16	1.39	1.21	**(0.38)**
Total assets	289,827	279,679	475,083	501,887	**533,368**
Long-term obligations, less current installments	38,996	33,724	122,798	23,468	**10,040**
Stockholders' equity	187,892	177,720	216,744	330,503	**321,946**

Consolidated Financial Statements and Supplementary Data

Selected unaudited, quarterly financial data of the Company for the years ended November 30, 2000 and 2001 appears below:

	Quarter Ended			
(Dollars in thousands, except per share data)	Feb. 28	May 31	Aug. 31	Nov. 30
2000				
Net sales	340,608	382,055	470,920	510,876
Gross profit	34,868	37,131	42,747	37,622
Operating expenses	25,787	28,120	27,689	32,248
Income before provision for income taxes	8,773	11,071	15,427	4,694
Provision for income taxes	3,473	4,160	5,471	1,821
Income before extraordinary item	5,300	6,911	9,956	2,873
Extraordinary item	—	—	—	2,189
Net income	5,300	6,911	9,956	5,062
Net income per common share before extraordinary item:				
Basic	0.27	0.32	0.45	0.13
Diluted	0.25	0.30	0.44	0.13
Net income per common share:				
Basic	0.27	0.32	0.45	0.23
Diluted	0.25	0.30	0.44	0.23
2001				
Net sales	**331,052**	**276,634**	**314,258**	**345,802**
Gross profit	**29,840**	**10,544**	**31,513**	**28,642**
Operating expenses	**26,250**	**23,725**	**28,717**	**32,382**
Income (loss) before provision for (recovery of) income taxes	**4,024**	**(12,912)**	**1,624**	**(4,882)**
Provision for (recovery of) income taxes	**1,458**	**(4,649)**	**618**	**(1,364)**
Net income (loss)	**2,566**	**(8,263)**	**1,006**	**(3,518)**
Net income (loss) per common share:				
Basic	**0.12**	**(0.38)**	**0.05**	**(0.16)**
Diluted	**0.12**	**(0.38)**	**0.05**	**(0.16)**

COMMITMENT

Chairman’s Letter to Shareholders

Fiscal 2001 was a difficult year for our Company as it was marked by the slowdown in the economy, product oversupply, intense pricing competition and diminishing consumer confidence. In the wireless industry, growth that had been driven by the change from analog to digital slowed dramatically as the demand for replacement handsets subsided. In addition, our communications subsidiary was impacted by rapid changes in technology that resulted in inventory adjustments for the older technology products. In spite of these difficulties, Audiovox Communications Corp. (ACC) continued to rank among the industry leaders in market share.

For the fiscal year ended November 30, 2001, net sales were $1.3 billion, a 25.6% decrease from sales of $1.7 billion in the comparable period one year ago. Net loss and loss per share was $8.2 million or $0.38 basic and diluted compared to net income of $27.2 million and $1.27 basic and $1.21 diluted for 2000.

One particularly bright note for 2001 was the contribution made by Audiovox Electronics Corp. (AEC) as it exceeded sales and profit targets and finished with the best sales year in its history which helped the overall picture at Audiovox. During the year, AEC also made serious inroads in brand acceptance at major retailers such as Circuit City and Best Buy. In addition to the inroads made at these major retailers, we increased our involvement as an OE (Original Equipment) supplier to major car manufacturers. In December, Audiovox was listed by NPD, Techworld as the leader in Mobile Video with a 39% market share. The Audiovox brand also had strong showings in several of the other markets served by AEC.

We expect to see improvements during our fiscal year 2002. In our wireless subsidiary, E911 products should generate replacement handset demand similar to that which we saw when digital products began to replace analog. New high speed 1XRTT phones for data and GPS phones for tracking, which represent the next generation of technology, will have their full impact in the second part of the year and they should also contribute to improved top and bottom-line results. Our introduction of hand-held PDA’s that contain the comprehensive functionality of Microsoft Windows-Powered Pocket PC software is our first step in what promises to be a major convergence product with strong growth prospects.

During our fiscal second quarter we will begin shipping these new 1X products. The CDM 9150X has increased data capability and should help support our carrier partners as they begin to emphasize data. For the consumer, this phone will provide enhanced speed, streaming video and the ability to download pictures. The CDM 9155GPX satisfies the FCC mandates for E911 and we expect this new technology to enhance our performance during fiscal 2002 as carriers move to fulfill the requirements for E911 capability in their user base.

For AEC, we will continue to build on the strong sales in the mobile video and consumer categories as well as entering two new markets—satellite radio and flat screen TV for the home. In addition, we plan to expand this business through acquisition and to that end, have purchased the assets of Code-Alarm, a security company with strong OE ties, and formed Code Systems, Inc.

Other AEC products scheduled for introduction this year will include a self-contained DVD rear seat entertainment system, satellite radio, a vehicle tracking system, a first-to-market GPS-7 mile two-way radio and home theater systems utilizing new flat screen technology.

We expect growth to be slow in the first half of fiscal 2002 as a result of the combination of an unsettled economic outlook and new product introductions. However, by the second half, the results of multiple interest rate cuts and virtually no inflation combined with increased government spending, lower energy costs and the full impact of the 2001 tax cut, should strengthen the overall economic environment.

As a company we continue to address operating and supply cost cutting initiatives to position us successfully for the introduction of new technologies. We are committed to increasing brand recognition and will continue to aggressively support the Audiovox brand. Baring unforeseen economic developments, we anticipate a return to historical growth patterns. As always, every employee of this corporation remains committed to maximizing profits and increasing shareholder value.

Sincerely,

John J. Shalam
Chairman, President and CEO

Philip Christopher's Letter to Shareholders

A list of achievements that includes continued leadership in the CDMA marketplace, introduction of cutting-edge products and the establishment of relationships with some of the world's leading wireless carriers would normally signal a banner year for Audiovox Communications Corporation (ACC). Unfortunately, sluggish economic conditions in the wireless industry, intense pricing competition and diminishing consumer confidence all combined to make 2001 a difficult time.

Still, we firmly believe that ACC's 2001 achievements laid the groundwork for an economic and business rebound during the second half of 2002. ACC is confident that after a sluggish first half, our new product introductions, centered on 1X technology, will help us restore margins and profits during the latter six months of the year.

Fueled by shipments of our flagship CDM-9100 tri-mode, Web browsing wireless phone, total handset sales for 2001 were 6.9 million units, giving us a 14.5-percent share of the U.S. CDMA market, according to Dataquest (third quarter 2001 figures). As CDMA entrenches itself as the leading U.S. wireless technology, we will continue to expand our product roster of CDMA handsets, incorporating them with the latest technological advancements, convenience features and aesthetic accents to meet the needs of wireless carriers and their increasingly sophisticated users.

With full-scale implementation of 3G CDMA 2000 technology at hand, ACC will introduce its first 1X devices, the CDM-9150X and 9155GPX, tri-mode, CDMA, Web browsing handsets during the second quarter of 2002. ACC is well positioned to help our carrier partners achieve their data initiatives. Moreover, 1X and E911 products should generate replacement handset demand on a similar scale to that which we saw when digital products replaced analog.

ACC will also build upon the successful launch of its Maestro Pocket PC by introducing Thēra, the next generation in our growing line of CDMA-based personal digital assistants. Thēra expands upon the resources and performance of its highly successful predecessor by integrating the online connectivity and communications capabilities of 1X technology with the data processing functionality of a state-of-the-art Pocket PC in a single, handheld unit. Thēra will be sold through our carrier partners, and their retail distributors.

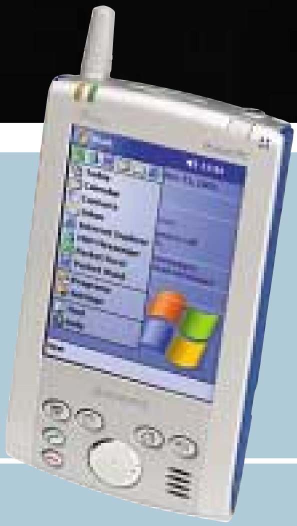
ACC recognizes that the needs of domestic and international wireless carriers extend beyond CDMA technology. Whether it is CDMA, GSM or GPRS, we continue to design, develop and produce leading-edge devices that enable our carrier partners to meet their communications, data and business objectives.

Across America and around the world, Audiovox is focused on meeting the changing product needs of wireless carriers and consumers. From entry-level handsets to sophisticated and powerful data and voice-capable Pocket PCs, Audiovox invites you to join us as we strive to keep everyone connected in this wireless world.

Philip Christopher
President & Chief Executive Officer
Audiovox Communications Corporation

>> COMMUNICATIONS

"ACC will also build upon the successful launch of its Maestro Pocket PC by introducing Thēra, the next generation in our growing line of CDMA-based personal digital assistants."



>> TECHNOLOGY

Audiovox Communications Corporation (ACC) is the pace setter for the design, development and sales of cutting-edge handsets and wireless communications technologies. A 95-percent owned subsidiary of Audiovox Corporation, 2001 revenues for wireless reached $966.7 million, or 76% of the Corporation's yearly total.

ACC maintained a strong position by garnering a 14.5-percent market share of the CDMA (code division multiple access) handset markets in the U.S., according to the highly respected industry analyst, Dataquest. Moreover, in terms of overall wireless handset sales, Audiovox was ranked within the top four phone-providing companies, according to Dataquest figures.

As a manufacturer without a factory, Audiovox works closely with both its customers and suppliers in the design, development and testing of ACC products. All Audiovox products are tested in the company's own state-of-the-art facilities to ensure complete compliance with our own exacting standards. Plus, we supervise testing in our carriers' markets to ensure that they adhere to our customers' most rigid specifications.

By combining our engineering and support capabilities with that of our manufacturing partners, ACC is able to provide its customers with the latest technology advances. Currently, we supply CDMA, TDMA and GSM wireless products to our global clients.

Worldwide in Scope

Across America and around the world—from Sydney, Australia to Sydney Mines, Nova Scotia, Canada—Audiovox focuses its efforts on meeting the changing product needs of wireless carriers and consumers. From entry-level handsets to the most sophisticated and powerful data and voice-capable Pocket PCs, Audiovox leads the way in keeping everyone connected in this wireless world.

ACC markets its products worldwide, maintaining operations centers and/or sales offices in the United States, Canada, Japan, Korea, Taiwan, Peru, Venezuela, and the Netherlands. ACC sells its wireless products to wireless carriers and their respective agents, distributors and retailers.

Audiovox's key customers, during 2001, included Verizon Wireless, Sprint PCS, Canada's Telus Mobility and Bell Mobility, Alltel, U.S. Cellular, Qwest, Cricket, Northcoast and PrimeCo.

A Straightforward Approach to Business

At ACC, our primary business objective is to increase company earnings by expanding into new technologies and products. The culmination of these efforts enables ACC to make inroads into new and existing markets around the world, substantially increasing corporate business opportunities.

To accomplish this, ACC leverages its competitive strengths to maximize the opportunities afforded by key trends in the global wireless communications industry. The key components of this strategy include:

- Expand wireless technology offerings to increase market opportunities
- Capitalize on the Audiovox brand name
- Expand and broaden ACC's global presence
- Continue to provide added value to ACC customers and suppliers

Laying the Groundwork for 2002 and Beyond

During 2001, Audiovox set in place the foundation for an economic and business resurgence during Fiscal 2002. The design, development, introduction, implementation and sales of new 1X-centered products and technologies, during 2001, have positioned ACC to be able to maximize the technological and product opportunities that will present themselves during 2002.

ACC's increasing commitment to wireless communications has enabled the company to be first-to-market with a 3G GPS-based location technology product that will enable its carrier partners to meet their federally mandated E911 requirements and meet the needs of their new 1X transmission technologies. Also, ACC's Web-enabled Pocket PC introductions, Maestro and Thēra, sold exclusively through wireless carriers and their designated retailers, are designed to enable these ACC customers to meet their ever-increasing data initiatives.

So, whether it is 1X, GPS-based location technology, Web browsers or the latest in sleek, hip-styling for a unique fashion accent, ACC is leading the way with cutting-edge products to meet every need, every level of sophistication and every budget.

A Full Line of 3G Products

With carriers around the country and the world scheduled to launch 1X technology this year, Audiovox introduced the first handsets that are ready to take advantage of next-generation 3G technologies. Audiovox's new, high-quality, high-tech, user-friendly CDM-9150X and 9155GPX, CDMA, Web-browsing handsets enable wireless carriers, supporting the new 1X technology, to provide consumers with access to high-speed connectivity for Web-browsing functions, E-mail and mobile e-commerce as well as simultaneous audio, video and text data services at unprecedented data transmission speeds of up to 156 Kbps. With these phones, consumers can maximize the increased speed and bandwidth of the carriers' next-generation networks while significantly enhancing both the transmission and reception of data, video and text.

The Burgeoning Pocket PC Marketplace

The Pocket PC market offers ACC substantial opportunities to take advantage of the ongoing convergence of voice and data communications. As wireless carriers look to build upon their success in voice communications, shifting their focus to data initiatives, ACC intends to provide the cutting-edge products that will enable them to achieve their goals.

ACC's introduction of its Maestro Pocket PC, during the fourth quarter, broke new ground in wireless product marketing. Co-packaged with an ACC CDM-9100 tri-mode, CDMA, Web-browsing handset, Maestro is sold through wireless carriers and their authorized resellers, giving it a unique place in the Pocket PC market. Maestro combines ease-of-use and the comprehensive functionality of Microsoft Windows-powered Pocket PC 2002 software with wireless handset connectivity for seamless Internet access. This device also set a new standard for online connectivity and functionality.

ACC is expanding upon its Pocket PC products with Thēra, the first in our growing line of CDMA-based PDAs. Thēra raises the bar for Pocket PC wireless connectivity by integrating 1X wireless capability with the data processing functionality of Pocket PC in a single, handheld unit. Thēra will also be sold through our carrier partners and their retail distributors.

CDMA Still at the Core

As CDMA further entrenches itself as the U.S.'s leading wireless technology, Audiovox continues to expand its capabilities and offerings within this sector, developing and providing newer, more sophisticated, feature-rich handsets that meet the needs of carriers and their customers, alike. The introduction of both dual-mode and tri-mode CDMA models with a myriad of advanced features such as Web browsing and data capabilities, two-way short messaging service (SMS), T9 predictive text input, expanded and full-color LCD displays and interchangeable color faceplates that let users make their own fashion statement, has been well-received by both carriers and their customers.

Other Options and Offerings

But there are more technologies than just CDMA…and Audiovox is ready to meet the needs of both domestic and international carriers with expanded lines of GSM and GPRS offerings. Audiovox continues to work with its carrier partners, around the world, to ensure that ACC phones meet the requirements of international telecommunications, bringing the world closer together.

Meeting Today's…and Tomorrow's…Wireless Telecommunications Needs

As wireless communication technology continues its ongoing evolution, Audiovox is hard at work, positioning itself to meet the ever-changing needs of service providers and their customers. Audiovox is always looking ahead, re-affirming its commitment to lead the way with wireless handsets and a wealth of devices and accessories that foster the success of its carrier partners and customers. By helping its carrier customers to achieve their voice and data objectives, ACC will be able to achieve its own business success.

"Across America and around the world, Audiovox is focused on meeting the changing product needs of wireless carriers and consumers."

Audiovox Electronics Corp. President and CEO Letter

In spite of the difficult times that marred fiscal 2001, Audiovox Electronics Corp. continued its upward growth and finished the year 8.2% ahead of fiscal 2000, which gave us the best sales year in our history. Strong sales in mobile video and consumer electronics products continue to give us the opportunity to expand distribution and strengthen our customer base. In addition, brand awareness and acceptance continues to grow. Recently, NPD Techworld research named Audiovox Electronics Corp. (AEC) as the market leader with a 39% share in the fast growing mobile video market segment and also positions the Audiovox name among the brand leaders in several other categories.

Mobile Electronics

For the third year in a row, Mobile Electronics sales recorded a strong increase and this category continues to be our leader. Our mobile video line is one of the broadest in the industry and we expect to maintain our dominance in this market with the introduction of our new overhead DVD entertainment systems and an expanded line of do-it-yourself mobile video products.

This year marks our company's entrance into the exciting new field of satellite radio. This new technology will take car audio receivers from analog to digital and will offer nationwide broadcasts of over 200 channels of music or talk radio with many channels being commercial free. This technology should trigger new growth in the auto sound industry, which has been stagnant over the last several years. We have obtained licenses to supply satellite radio in both the XM and Sirius formats and Audiovox is one of the few companies ready to deliver products in 2002, which should give us a competitive advantage.

There are also new products scheduled in our auto sound, security and remote start lines and we will also introduce vehicle-tracking products this spring. Our Pursuitrak tracking system was nominated for best in show at the Consumer Electronics Show in January.

Consumer Electronics

Our Consumer Electronics sales group had another record year as we benefited from increases in FRS and GMRS two-way radio sales. In addition, we were able to establish Audiovox as the number three supplier of portable DVD players, outselling some of the most famous brands in the industry.

New products continue to be a key ingredient in the growth of our company and 2002 will be no exception. There will be a first-to-market 7-mile range GMRS radio, an expanded line of under counter TV's and home theater systems utilizing flat panel and DVD technology, both of which have been very successful in our mobile video line. We believe that our key manufacturing relationships allow us to enjoy continued success and maintain our competitiveness in this rapidly expanding market.

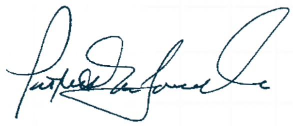
Growth Initiatives

In addition to growth by new product development and introduction, we plan to increase our business by strategic acquisitions. On March 15th, 2002, we purchased the assets of Code-Alarm; a Detroit based manufacturer of security systems. The Code-Alarm brand has been synonymous with cutting edge products and has been a long time supplier to the original equipment car manufacturers, a market segment that we consider key to future growth. The acquisition of Code-Alarm will strengthen our existing relationship with OEM's as well as give us new sales opportunities under the Code-Alarm brand in the aftermarket. The new company we formed with this acquisition is Code Systems, Inc., a wholly-owned subsidiary of Audiovox Electronics Corp. In February, we signed an agreement with Avis, which allows for Audiovox navigation systems to be installed in Avis rental cars throughout the United States.

We approach fiscal 2002 with optimism but are ever mindful of the fragile nature of the expected economic recovery. Our programs are in place and with a modest improvement in the economy, we believe that we are well positioned for another strong year.

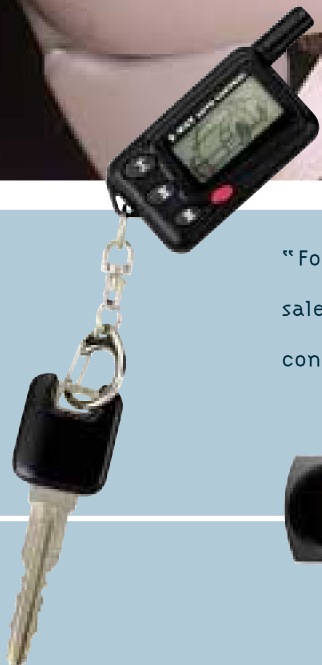
Audiovox Electronics Corp. is committed to growth through new product, new market opportunities and continued expansion of our distribution network.

Sincerely,



Patrick M. Lavelle
President and CEO,
Audiovox Electronics Corp.

>> ELECTRONICS



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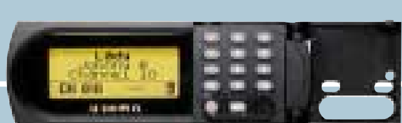

>> INNOVATION

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"We approach fiscal 2002 with optimism but are ever mindful of the fragile nature of the expected economic recovery. Our programs are in place and with a modest improvement in the economy, we believe that we are well positioned for another strong year."

Our Philosophy

Our core business objective is to increase our earnings by capitalizing on emerging technology opportunities and increasing our penetration in global markets. Our business strategy is to leverage our ability to source product and our marketing flexibility to capitalize on consumer trends. We believe that focusing on high demand, high growth niche products results in better profit margins and growth potential for our electronics business.

Our Products

Mobile Electronics

Autosound

A complete line of autosound products that include, CD players and Changers, Cassette Radios, Amplifiers, Equalizers and Speakers. Our newest products include Satellite radio receivers in both the XM and Sirius formats.

Vehicle Security

Our security line offers the consumer a combination of security, personal safety and convenience. Products range from simple keyless entry upgrades to extended range remote starters and our newest product, Pursuitrak, which gives the consumer a total communications control package.

Mobile Video

The most complete line in the industry helps secure our 39% market share in mobile video. We have the broadest line of screen sizes, brand new DVD drop downs, control systems designed to allow multiple video sources and a full range of portable video.

Consumer Electronics

Two-Way Radios

Our two-way radio program includes, FRS, GMRS and GMRS/GPS radios and base stations. In 2002 we will introduce a first to market 7 mile range GMRS.

Home & Portable Stereo

In addition to boom boxes, personal stereos and MP-3 players, the 2002 line includes home theater systems and our latest products, flat-screen TV's for the home.

DVD

Audiovox has one of the hottest lines of portable DVD available today. Our products are featured in some of the country's most respected retailers.

Our Commitment to Quality

Audiovox has always backed our new product ventures with a commitment to quality. ISO and QS 9001 registered since 1995, we continue to expand on that commitment. In February 2002, we received a FORD Q1 Registration which we believe further demonstrates our belief that future growth will depend on quality products and complete engineering and logistical support.

CONTROL

Report of the Chief Financial Officer

Controls

Fiscal year 2001 was a challenging year for Audiovox Corporation due to the overall economic conditions and changes in wireless technology that impacted the business environment we serve. Our balance sheet is strong and flexible enough to meet these challenges and to provide the support for the plans we have outlined in both our subsidiaries.

As you review our financial reports to our shareholders, you will see increased levels of disclosure. This disclosure is focused on key issues that have arisen over the last several months, specifically in the areas of off-balance sheet financing, liquidity, availability of resources, and critical accounting policies. Our company has always taken a conservative reporting position on our financial statements and does not rely on specialized accounting treatments.

During fiscal 2001, we have continued to upgrade our IT systems to support our operations and incorporate new systems support as needed. New and improved systems have been developed for customer service, warranty support, increased B2B programs and refinements to our website. During fiscal 2001, our Venezuelan subsidiary was brought on-line allowing our managers to operate locally in Spanish and their host currency while we in the U.S. simultaneously view and manage their operation in English and U.S. dollars.

Our equity investments continue to perform well and during fiscal 2001 we received cash distributions. In March 2002 we closed on the asset purchase of Code Alarm Inc. by our newly formed subsidiary of AEC, Code System Inc. We were able to do this with internally generated funds.

We look forward to fiscal 2002 and are prepared to support the business plans of our operating subsidiaries which call for the introduction of new products and technology. Our outlook is for a generally improving economy and for business to pick up in the second half of fiscal 2002 as these new products are delivered into the market place.

C. Michael Stoehr
Senior Vice President &
Chief Financial Officer

Forward-Looking Statements

This Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Words such as "may," "believe," "estimate," "expect," "plan," "intend," "project," "anticipate," "continues," "could," "potential," "predict" and similar expressions may identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events, activities or developments. The Company's actual results could differ materially from those discussed in or implied by these forward-looking statements. Forward-looking statements include statements relating to, among other things:

- growth trends in the wireless, automotive and consumer electronic businesses
- technological and market developments in the wireless, automotive and consumer electronics businesses
- liquidity
- availability of key employees
- expansion into international markets
- the availability of new consumer electronic products

These forward-looking statements are subject to numerous risks, uncertainties and assumptions about the Company including, among other things:

- the ability to keep pace with technological advances
- significant competition in the wireless, automotive and consumer electronics businesses
- quality and consumer acceptance of newly introduced products
- the relationships with key suppliers
- the relationships with key customers
- possible increases in warranty expense
- the loss of key employees
- foreign currency risks
- political instability
- changes in U.S. federal, state and local and foreign laws
- changes in regulations and tariffs
- seasonality and cyclicality
- inventory obsolescence and availability

The Company markets its products under the Audiovox brand name as well as private labels to a large and diverse distribution network both domestically and internationally. The Company operates through two marketing groups: Wireless and Electronics. Wireless consists of Audiovox Communications Corp. (ACC), a 95%-owned subsidiary of Audiovox, and Quintex, which is a wholly-owned subsidiary of ACC. ACC markets wireless handsets and accessories on a wholesale basis to wireless carriers primarily in the United States and, to a lesser extent, carriers overseas. Quintex is a small operation for the direct sale of handsets, accessories and wireless telephone service.

The Electronics Group consists of two wholly-owned subsidiaries, Audiovox Electronics Corporation (AEC) and American Radio Corp., and three majority-owned subsidiaries, Audiovox Communications (Malaysia) Sdn. Bhd., Audiovox Holdings (M) Sdn. Bhd. and Audiovox Venezuela, C.A. The Electronics Group markets automotive sound and security systems, electronic car accessories, home and portable sound products, FRS radios, in-vehicle video systems, flat-screen televisions, DVD's and navigation systems. Sales are made through an extensive distribution network of mass merchandisers, power retailers and others. In addition, the Company sells some of its products directly to automobile manufacturers on an OEM basis.

The Company allocates interest and certain shared expenses to the marketing groups based upon both actual and estimated usage. General expenses and other income items that are not readily allocable are not included in the results of the two marketing groups.

From fiscal 1996 through 2001, several major events and trends have affected the Company's results and financial conditions.

Wireless increased its handset sales from 2.1 million units in fiscal 1996 to an all-time high of 8.9 million units in fiscal 2000 back to 7.0 million units in 2001. This overall growth in unit sales from 1996 was primarily due to:

- the introduction of digital technology, which has allowed carriers to significantly increase subscriber capacity
- reduced cost of service and expanded feature options

During this period, Wireless' unit gross profit margin declined due to continued strong competition. Wireless' gross margin dollars has significantly increased overall due to the overall large increases in net sales.

Sales by the Electronics Group were $188.4 million in 1996 and $193.9 million in 1997, but declined in 1998 to $185.0 million, primarily due to the financial crisis in Asia, particularly Malaysia. Sales for fiscal 1999, fiscal 2000 and fiscal 2001 were $242.5 million, $278.3 million and $301.0 million, respectively. During this period, the Company's sales were impacted by the following items:

- the growth of our consumer electronic products business from $2.9 million in fiscal 1996 to $81.2 million in fiscal 2001
- the introduction of mobile video entertainment systems and other new technologies
- the Asian financial crisis in 1998
- growth of OEM business

Gross margins in the Company's electronics business increased from 18.9% in 1996 to 20.3% for fiscal 2001 due, in part, to higher margins in mobile video products, other new technologies and products and the growth of the international business.

The Company's total operating expenses have increased at a slower rate than sales since 1996. Total operating expenses were $83.3 million in 1996 and $111.1 million in 2001. The Company has invested in management systems and improved its operating facilities to increase its efficiency.

During the period 1996 to 2001, the Company's balance sheet was strengthened by the conversion of its $65 million 6¼% subordinated convertible debentures due 2001 into approximately 9.7 million shares of Class A common stock, the gain, net of taxes, of $23.7 million from the sale of CellStar stock held by the Company and the 2.3 million share follow-on offering in which the Company received $96.6 million net proceeds.

All financial information, except share and per share data, is presented in thousands.

Critical Accounting Policies

Financial Reporting Release No. 60, which was recently released by the Securities and Exchange Commission (SEC), requires all companies to include a discussion of critical accounting policies or method used in the preparation of financial statements. Note 1 of the Notes to the Consolidated Financial Statements includes a summary of the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. The following is a brief discussion of the more critical accounting policies and methods used by the Company.

In addition, Financial Reporting Release No. 61 was recently released by the SEC to require all companies to include a discussion to address, among other things, liquidity, off-balance sheet arrangements, contractual obligations and commercial commitments.

General

The consolidated financial statements of the Company are prepared in conformity with accounting principles generally accepted in the United States of America. As such, the Company is required to make certain estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The significant accounting policies which the Company believes are the most critical to aid in fully understanding and evaluating the reported consolidated financial results include the following:

Revenue Recognition

The Company recognizes revenue from product sales at the time of shipment and passage of title to the customer. The Company also records an estimate of returns. Management continuously monitors and tracks such product returns and records a provision for the estimated amount of such future returns, based on historical experience and any notification the Company receives of pending returns. While such returns have historically been within management's expectations, a significant product return was recorded in 2001, which was netted against revenue. The Company cannot guarantee that it will continue to experience the same return rates that it has in the past. Although the Company generally does not give price protection to its customers, on occasion, the Company will offer such price protection to its customers. The Company accrues for price protection when such agreements are entered into with its customers, which was netted against revenue. There can be no assurances that the Company will not need to offer price protection to its customers in the future. Any significant price protection agreements or increase in product returns could have a material adverse impact on the Company's operating results for the period or periods in which such price protection is offered or returns materialize.

Accounts Receivable

The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current credit worthiness, as determined by a review of their current credit information. The Company continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon historical experience and any specific customer collection issues that have been identified. The Company's reserve for estimated credit losses at November 30, 2001 was $5.6 million. While such credit losses have historically been within management's expectations and the provisions established, the Company cannot guarantee that it will continue to experience the same credit loss rates that have been experienced in the past. Since the Company's accounts receivable is concentrated in a relatively few number of customers, a significant change in the liquidity or financial position of any one of these customers could have a material adverse impact on the collectability of the Company's accounts receivables and future operating results.

Trade and Promotional Allowances

The Company offers trade and promotional co-operative advertising allowances, market development funds and volume incentive rebates to certain of its customers. These arrangements allow customers to take deductions against amounts owed to the Company for product purchases or entitle them to receive a payment from the Company. The Company negotiates varying terms regarding the amounts and types of arrangements dependent upon the products involved, customer or type of advertising. These arrangements are made primarily on a verbal basis. The Company initially accrues for all of its co-operative advertising allowances, market development funds and volume incentive rebates as this represents the Company's full obligation. With respect to the volume incentive rebates, the customers are required to purchase a specified volume of a specified product. The Company accrues for the rebate as product is shipped. When specified volume levels are not achieved, and, therefore, the customer is not entitled to the funds, the Company revises its estimate of its liability. The accrual for co-operative advertising allowances, market development funds and volume incentive rebates at November 30, 2001 was $10.4 million. The Company continuously monitors the requests made by its customers and revises its estimate of the liability under these arrangements based upon the likelihood of its customers not requesting the funds. The Company's estimates of amounts requested by its customers in connection with these arrangements may prove to be inaccurate, in which case the Company may have understated or overstated the provision required for these arrangements. In the future, if the liability for these arrangements is determined to be overstated, the Company would be required to recognize such additional operating income at the time such determination is made. Likewise, if the liability for these arrangements is determined to be understated, the Company would be required to recognize such additional operating expenses at the time the customer makes such requests. Therefore, although the Company makes every effort to ensure the accuracy of its estimates, any significant unanticipated changes in the purchasing volume of its customers could have a significant impact on the liability and the Company's reported operating results.

Inventories

The Company values its inventory at the lower of the actual cost to purchase and/or the current estimated market value of the inventory less expected costs to sell the inventory. The Company regularly reviews inventory quantities on-hand and records a provision for excess and obsolete inventory based primarily on the Company's estimated forecast of product demand. As demonstrated in recent years, demand for the Company's products can fluctuate significantly. A significant sudden increase in the demand for the Company's products could result in a short-term increase in the cost of inventory purchases while a significant decrease in demand could result in an increase in the amount of excess inventory quantities on-hand. In addition, the Company's industry is characterized by rapid technological change and frequent new product introductions that could result in an increase in the amount of obsolete inventory quantities on-hand. In such situations, the Company generally does not obtain price protection from its vendors, however, on occasion, the Company has received price protection which reduces the cost of inventory. There can be no assurances that the Company will be successful in negotiating such price protection from its vendors in the future. Additionally, the Company's estimates of future product demand may prove to be inaccurate, in which case the Company may have understated or overstated the provision required for excess and obsolete inventory. In the future, if the Company's inventory is determined to be overvalued, it would be required to recognize such costs in its cost of goods sold at the time of such determination. Likewise, if the Company does not properly estimate the lower of cost or market of its inventory and it is therefore determined to be undervalued, it may have over-reported its cost of goods sold in previous periods and would be required to recognize such additional operating income at the time of sale. Therefore, although the Company makes every effort to ensure the accuracy of its forecasts of future product demand, any significant unanticipated changes in demand or technological developments could have a significant impact on the value of the Company's inventory and its reported operating results. In addition, given the anticipated emergence of new technologies in the wireless industry, the Company will need to sell existing inventory quantities of current technologies to avoid further write-downs to market. In particular, at November 30, 2001, the Company had on hand 575,000 units of a certain phone model, which, after write-down, was valued at $75,423. In the near future, the Company expects to introduce a new model, as well as new technologies and, therefore, no guarantee can be made that further reductions in the carrying value of this model or any other models will not be required.

Warranties

The Company offers warranties of various lengths to its customers depending upon the specific product. The Company's standard warranties require the Company to repair or replace defective product returned to the Company during such warranty period at no cost to the customer. The Company records an estimate for warranty related costs based upon its actual historical return rates and repair costs at the time of sale, which are included in cost of sales. The estimated liability for future warranty expense amounted to $9.2 million at November 30, 2001, which has been included in accrued expenses and other current liabilities. While the Company's warranty costs have historically been within its expectations and the provisions established, the Company cannot guarantee that it will continue to experience the same warranty return rates or repair costs that have been experienced in the past. A significant increase in product return rates, or a significant increase in the costs to repair the Company's products, could have a material adverse impact on its operating results for the period or periods in which such returns or additional costs materialize.

Results of Operations

The following table sets forth for the periods indicated certain statements of operations data for the Company expressed as a percentage of net sales:

	Percentage of Net Sales Years Ended November 30,		
	1999	2000	**2001**
Net sales:			
Wireless			
Wireless products	76.2%	81.7%	**73.9%**
Activation commissions	2.1	1.7	**2.1**
Residual fees	0.3	0.1	**0.2**
Other	0.5	0.2	**0.1**
Total Wireless	79.1	83.7	**76.3**
Electronics			
Mobile electronics	10.1	7.9	**12.6**
Sound	7.1	4.6	**4.6**
Consumer electronics	3.3	3.6	**6.4**
Other	0.3	0.2	**0.1**
Total Electronics	20.9	16.3	**23.7**
Total net sales	100.0	100.0	**100.0**
Cost of sales	(88.4)	(91.0)	**92.1**

	Percentage of Net Sales Years Ended November 30,		
	1999	2000	**2001**
Cost of sales	(88.4)%	(91.0)%	**92.1%**
Gross profit	11.6	9.0	**7.9**
Selling	(3.2)	(2.7)	**(3.2)**
General and administrative	(3.8)	(2.9)	**(3.7)**
Warehousing, assembly and repair	(1.3)	(1.1)	**(1.9)**
Total operating expenses	(8.3)	(6.7)	**(8.8)**
Operating income (loss)	3.3	2.3	**0.9**
Interest and bank charges	(0.4)	(0.4)	**(0.5)**
Equity in income in equity investments	0.3	0.2	**0.3**
Gain on sale of investments	0.3	0.1	**—**
Gain on hedge of available-for-sale securities	—	0.1	**—**
Gain on issuance of subsidiary shares	0.3	—	**—**
Other, net	(0.2)	0.1	**0.1**
Income (loss) before provision for (recovery of) income taxes	3.6	2.4	**(1.0)**
(Provision for) recovery of income taxes	(1.3)	(0.9)	**(0.4)**
Extraordinary item	—	0.1	**—**
Net income (loss)	2.3%	1.6%	**(0.6)%**

The net sales and percentage of net sales by product line and marketing group for the fiscal years ended November 30, 1999, 2000 and 2001 are reflected in the following table. Certain reclassifications and recaptionings have been made to the data for periods prior to fiscal 2001 in order to conform to fiscal 2001 presentation.

	Fiscal Year Ended November 30,					
	1999		2000		**2001**	
Net sales:						
Wireless						
Products	$ 885,130	76.2%	$1,391,741	81.7%	**$ 936,734**	**73.9%**
Activation commissions	24,412	2.1	28,983	1.7	**26,879**	**2.1**
Residual fees	2,939	0.3	1,852	0.1	**2,396**	**0.2**
Other	6,197	0.5	3,619	0.2	**692**	**0.1**
Total Wireless	918,678	79.1	1,426,195	83.7	**966,701**	**76.3**
Electronics						
Mobile electronics	117,946	10.1	135,557	7.9	**159,619**	**12.6**
Sound	82,800	7.1	77,790	4.6	**58,104**	**4.6**
Consumer electronics	38,150	3.3	60,968	3.6	**81,161**	**6.4**
Other	3,959	0.3	3,949	0.2	**2,161**	**0.1**
Total Electronics	242,855	20.9	278,264	16.3	**301,045**	**23.7**
Total	$1,161,533	100.0%	$1,704,459	100.0%	**$1,267,746**	**100.0%**

Fiscal 2000 Compared to Fiscal 2001

Consolidated Results

Net sales for fiscal 2001 were $1,267,746, a 25.6% decrease from net sales of $1,704,459 in fiscal 2000. Wireless Group sales were $966,701 in fiscal year 2001, a 32.2% decrease from sales of $1,426,195 in fiscal 2000. Unit sales of wireless handsets decreased 21.4% to approximately 7,000,000 units in fiscal 2001 from approximately 8,909,000 units in fiscal 2000. The average selling price of the Company's handsets decreased to $127 per unit in fiscal 2001 from $150 per unit in fiscal 2000.

Electronics Group sales were $301,045 in fiscal 2001, an 8.2% increase from sales of $278,264 in fiscal 2000. This increase was largely due to increased sales in the mobile video and consumer electronics product lines. Sales by the Company's international subsidiaries increased 6.2% in fiscal 2001 to approximately $28.0 million, primarily due to a 41.7% increase in Venezuela, partially offset by a 17.8% decrease in Malaysia.

Gross profit margin for fiscal 2001 was 7.9%, compared to 9.0% in fiscal 2000. This decline in profit margin resulted primarily from $20,650 of inventory write-downs to market and margin reductions in Wireless attributable to increased sales of digital products, which have lower margins offset by the reimbursement of $4,550 received from a manufacturer for upgrades. Due to specific technical requirements of individual carrier customers, carriers place large purchase commitments for digital handsets with Wireless, which results in a lower selling price which then lowers gross margins.

Operating expenses were $111,075 in fiscal 2001, compared to $113,844 in fiscal 2000. As a percentage of net sales, operating expenses increased to 8.8% in fiscal 2001 from 6.7% in fiscal 2000. Operating loss for fiscal 2001 was $10,537, compared to operating income of $38,524 in 2000.

During 2000, the Company also recorded an extraordinary gain of $2,189 in connection with the extinguishment of debt.

Net loss for fiscal 2001 was $8,209 compared to net income of $27,229 in fiscal 2000. Loss per share was $(0.38), basic and diluted compared to $1.17, basic, and $1.11, diluted, and $1.27, basic and $1.21, diluted after extraordinary item, in fiscal 2000.

Wireless Results

The following table sets forth for the fiscal years indicated certain statements of operations data for Wireless expressed as a percentage of net sales:

	2000		**2001**	
Net sales:				
Wireless products	$1,391,741	97.6%	**$936,734**	**96.9%**
Activation commissions	28,983	2.0	**26,879**	**2.8**
Residual fees	1,852	0.1	**2,396**	**0.2**
Other	3,619	0.3	**692**	**0.1**
Total net sales	1,426,195	100.0	**966,701**	**100.0**
Gross profit	93,184	6.5	**39,176**	**4.1**
Total operating expenses	54,524	3.8	**49,219**	**5.1**
Operating income (loss)	38,660	2.7	**(10,043)**	**(1.0)**
Other expense	(7,663)	(0.5)	**(7,689)**	**(0.8)**
Pre-tax income (loss)	$ 30,997	2.2%	**$ (17,732)**	**(1.8)%**

Wireless is composed of ACC and Quintex, both subsidiaries of the Company.

Net sales were $966,701 in fiscal 2001, a decrease of $459,494, or 32.2%, from fiscal 2000. Unit sales of wireless handsets decreased by 1,909,000 units in fiscal 2001, or 21.4%, to approximately 7,000,000 units from 8,909,000 units in fiscal 2000. This decrease was attributable to decreased sales of both analog and digital handsets which was due to delayed digital product acceptances by our customers and slower sales. The average selling price of handsets decreased to $127 per unit in fiscal 2001 from $150 per unit in fiscal 2000. Unit gross profit margins decreased to 3.1% in fiscal 2001 from 5.7% in fiscal 2000, reflecting an increase in average unit cost. During 2000 and 2001, Wireless adjusted the carrying value of its analog inventory by recording write-downs to market of $8,152 and $13,500, respectively. These charges enabled Wireless to effectively exit the active analog hand-held market. However, even as Wireless and the wireless communications market continues to shift away from analog to digital technology, Wireless will continue, upon request by its customers, to sell analog telephones on a limited basis to specific customers to support specific carrier programs. During the fourth quarter ended November 30, 2001, Wireless adjusted the carrying value of certain digital inventory by recording a write-down to market of $7,150. During the quarter ended November 30, 2001, the Company recorded a reduction to cost of sales of approximately $4,550 for reimbursement from a manufacturer for upgrades performed in 2001 on certain digital phones which partially offset the decline in margins.

Operating expenses decreased to $49,219 in fiscal 2001 from $54,524 in fiscal 2000. As a percentage of net sales, however, operating expenses increased to 5.1% during fiscal 2001 compared to 3.8% in fiscal 2000. Selling expenses decreased in fiscal 2001 from fiscal 2000, primarily in divisional marketing expenses. During 2000 and 2001, $8,265 and $12,820, respectively, was recorded in income as a result of changes in the estimated amount due under accrued market development and co-operative advertising programs. This decrease was partially offset by an increase in commissions. General and administrative expenses decreased in fiscal 2001 from fiscal 2000, primarily in bad debt expense, partially offset by increases in office salaries and travel. Warehousing, assembly and repair expenses increased in fiscal 2001 from fiscal 2000, primarily in direct labor. Pre-tax loss for fiscal 2001 was $(17,732), a decrease of $48,729 from fiscal 2000.

Management believes that the wireless industry is extremely competitive and that this competition could affect gross margins and the carrying value of inventories in the future as new competitors enter the marketplace. Also, timely delivery and carrier acceptance of new product could affect our quarterly performance. Suppliers have to continually add new products in order for the Company to improve margins. The change to 1XXT and GPS phones requires extensive testing and software development which could delay entry into the market and affect our digital sales in the future. In addition, given the anticipated emergence of new technologies in the wireless industry, the Company will need to sell existing inventory quantities of current technologies to avoid further write-downs to market.

Electronics Results

The following table sets forth for the fiscal years indicated certain statements of income data for the Electronics Group expressed as a percentage of net sales:

	2000		**2001**	
Net sales:				
Mobile electronics	$135,557	48.7%	**$159,619**	**53.0%**
Sound	77,790	27.9	**58,104**	**19.3**
Consumer electronics	60,968	21.9	**81,161**	**27.0**
Other	3,949	1.5	**2,161**	**0.7**
Total net sales	278,264	100.0	**301,045**	**100.0**
Gross profit	60,066	21.6	**61,225**	**20.3**
Total operating expenses	43,360	15.6	**48,491**	**16.1**
Operating income	16,706	6.0	**12,734**	**4.2**
Other expense	(1,937)	(0.7)	**(178)**	**—**
Pre-tax income	$ 14,769	5.3%	**$ 12,556**	**4.2%**

Net sales were $301,045 in fiscal 2001, an 8.2% increase from net sales of $278,264 in fiscal 2000. Mobile and consumer electronics' sales increased over last year, partially offset by a decrease in sound. Mobile electronics increased $24,062 (17.8%) during 2001 from 2000. Sales of mobile video within the mobile electronics category increased over 27% in fiscal 2001 from fiscal 2000. Consumer electronics increased 33.1% to $81,161 in fiscal 2001 from $60,968 in fiscal 2000. These increases were due to the introduction of new product lines in both categories. These increases were partially offset by a decrease in the sound category, particularly SPS, AV, private label and Prestige audio lines.

Gross profit margins decreased to 20.3% in fiscal 2001 from 21.6% in fiscal 2000, primarily in AV, private label and Prestige Security, partially offset by an increase in Prestige Audio and international operations.

Operating expenses were $48,491 in fiscal 2001, an 11.8% increase from operating expenses of $43,360 in fiscal 2000. As a percentage of net sales, operating expenses increased to 16.1% during fiscal 2001 compared to 15.6% in fiscal 2000. Selling expenses increased during fiscal 2001, primarily in commissions, advertising and divisional marketing. General and administrative expenses increased from fiscal 2000, mostly in office salaries, insurance, bad debt, depreciation and amortization. Warehousing and assembly expenses increased in fiscal 2001 from fiscal 2000, primarily due to field warehousing expense and direct labor. Pre-tax income for fiscal 2001 was $12,556, a decrease of $2,213 from fiscal 2000.

The Company believes that the Electronics Group has an expanding market with a certain level of volatility related to both domestic and international new car sales and general economic conditions. Also, certain of its products are subject to price fluctuations which could affect the carrying value of inventories and gross margins in the future.

Other Income and Expense

Interest expense and bank charges decreased $388 during fiscal 2001 from fiscal 2000, primarily due to decreased interest rates on similar borrowing levels.

Equity in income of equity investees increased by approximately $1,014 for fiscal 2001 compared to fiscal 2000. The majority of the increase was due to increases in the equity income of ASA.

In addition, there were several non-recurring transactions which resulted in other income of $3,886 in fiscal 2000.

Provision for Income Taxes

The effective tax expense rate for 2000 was 37.3%. The effective tax benefit rate in 2001 was 32.4%. The decrease in the effective tax rate is due to the Company having a loss in 2001 for federal purposes combined with state tax expense on certain profitable subsidiaries.

Fiscal 1999 Compared to Fiscal 2000

Consolidated Results

Net sales for fiscal 2000 were $1,704,459, a 46.7% increase from net sales of $1,161,533 in fiscal 1999. Wireless Group sales were $1,426,195 in fiscal year 2000, a 55.2% increase from sales of $918,678 in fiscal 1999. Unit sales of wireless handsets increased 46.9% to approximately 8,909,000 units in fiscal 2000 from approximately 6,067,000 units in fiscal 1999. The average selling price of the Company's handsets increased to $150 per unit in fiscal 2000 from $140 per unit in fiscal 1999.

Electronics Group sales were $278,264 in fiscal 2000, a 14.6% increase from sales of $242,855 in fiscal 1999. This increase was largely due to increased sales in the mobile video and consumer electronics product lines. Sales by the Company's international subsidiaries increased 2.8% in fiscal 2000 to approximately $25.8 million as a result of improvements in the Malaysian subsidiary.

Gross profit margin for fiscal 2000 was 9.0%, compared to 11.6% in fiscal 1999. This decline in profit margin resulted primarily from an $8,152 analog inventory cost reduction and margin reductions in Wireless attributable to increased sales of digital handsets, which have lower margins. Due to specific technical requirements of individual carrier customers, carriers place large purchase commitments for digital handsets with Wireless, which results in a lower selling price which then lowers gross margins. Gross profit increased 13.2% to $152,368 in fiscal 2000, versus $134,628 in fiscal 1999.

Operating expenses were $113,844 in fiscal 2000, compared to $96,391 in fiscal 1999. As a percentage of net sales, operating expenses decreased to 6.7% in fiscal 2000 from 8.3% in fiscal 1999. Operating income for fiscal 2000 was $38,524, an increase of $287 from fiscal 1999.

During 2000, the Company also recorded an extraordinary gain of $2,189 in connection with the extinguishment of debt.

Net income for fiscal 2000 was $27,229 compared to $27,246 in fiscal 1999. Earnings per share before extraordinary item were $1.17, basic, and $1.11, diluted, and $1.27, basic and $1.21, diluted after extraordinary item, in fiscal 2000 compared to $1.43, basic and $1.39, diluted, in fiscal 1999.

Wireless Results

The following table sets forth for the fiscal years indicated certain statements of income data for Wireless expressed as a percentage of net sales:

	1999		2000	
Net sales:				
Wireless products	$885,130	96.3%	$1,391,741	97.6%
Activation commissions	24,412	2.7	28,983	2.0
Residual fees	2,939	0.3	1,852	0.1
Other	6,197	0.7	3,619	0.3
Total net sales	918,678	100.0	1,426,195	100.0
Gross profit	81,679	8.9	93,184	6.5
Total operating expenses	44,248	4.8	54,524	3.8
Operating income	37,431	4.1	38,660	2.7
Other expense	(6,176)	0.7	(7,663)	(0.5)
Pre-tax income	$ 31,255	3.4%	$ 30,997	2.2%

Wireless is composed of ACC and Quintex, both subsidiaries of the Company.

Net sales were $1,426,195 in fiscal 2000, an increase of $507,517, or 55.3%, from fiscal 1999. Unit sales of wireless handsets increased by 2,842,000 units in fiscal 2000, or 46.9%, to approximately 8,909,000 units from 6,067,000 units in fiscal 1999. This increase was attributable to sales of portable, digital products. The addition of a new supplier also provided a variety of new digital, wireless products that contributed to the sales increase. The average selling price of handsets increased to $150 per unit in fiscal 2000 from $140 per unit in fiscal 1999. The number of new wireless subscriptions processed by Quintex increased 30.9% in fiscal 2000, with a corresponding increase in activation commissions of approximately $4,571 in fiscal 2000. The average commission received by Quintex per activation decreased by approximately 9.3% in fiscal 2000 from fiscal 1999 due to changes within the commission structure with the various carriers. Unit gross profit margins decreased to 5.7% in fiscal 2000 from 7.8% in fiscal 1999, reflecting an increase in average unit cost, partially offset by an increase in selling prices. During 2000, Wireless adjusted the carrying value of its analog inventory by recording an $8,152 cost reduction. This charge will enable Wireless to effectively exit the active analog market. However, even as Wireless and the wireless communications market continues to shift away from analog to digital technology, Wireless will continue to sell analog telephones on a limited basis to specific customers to support specific carrier programs.

Operating expenses increased to $54,524 in fiscal 2000 from $44,248 in fiscal 1999. As a percentage of net sales, however, operating expenses decreased to 3.8% during fiscal 2000 compared to 4.8% in fiscal 1999. Selling expenses increased in fiscal 2000 from fiscal 1999, primarily in commissions and divisional marketing expenses. General and administrative expenses increased in fiscal 2000 from fiscal 1999, primarily in office salaries, temporary personnel, depreciation and amortization. Warehousing, assembly and repair expenses increased in fiscal 2000 from fiscal 1999, primarily in direct labor. Pre-tax income for fiscal 2000 was $30,997, a decrease of $258 from fiscal 1999.

Management believes that the wireless industry is extremely competitive and that this competition could affect gross margins and the carrying value of inventories in the future as new competitors enter the marketplace. Also, timely delivery and carrier acceptance of new product could affect our quarterly performance.

Electronics Results

The following table sets forth for the fiscal years indicated certain statements of income data for the Electronics Group expressed as a percentage of net sales:

	1999		2000	
Net sales:				
Mobile electronics	$117,946	48.6%	$135,557	48.7%
Sound	82,800	34.1	77,790	27.9
Consumer electronics	38,150	15.7	60,968	21.9
Other	3,959	1.6	3,949	1.5
Total net sales	242,855	100.0	278,264	100.0
Gross profit	53,025	21.9	60,066	21.6
Total operating expenses	38,645	15.9	43,360	15.6
Operating income	14,380	5.9	16,706	6.0
Other expense	(3,021)	(1.2)	(1,937)	(0.7)
Pre-tax income	$ 11,359	4.7%	$ 14,769	5.3%

Net sales were $278,264 in fiscal 2000, a 14.6% increase from net sales of $242,855 in fiscal 1999. Mobile and consumer electronics' sales increased over last year, partially offset by decreases in sound and other. Mobile electronics increases 14.9% to $135,557 during 2000 from 1999. Sales of mobile video within the mobile electronics category increased over 40% in fiscal 2000 from fiscal 1999. Consumer electronics increased 59.8% to $60,968 in fiscal 2000 from $38,150 in fiscal 1999. These increases were due to the introduction of new product lines in both categories. These increases were partially offset by a decrease in the sound category, particularly SPS, AV, private label and Prestige audio lines.

Operating expenses were $43,360 in fiscal 2000, a 12.2% increase from operating expenses of $38,645 in fiscal 1999. Selling expenses increased during fiscal 2000, primarily in commissions, salesmen’s salaries, advertising and divisional marketing. General and administrative expenses increased from fiscal 1999, mostly in office salaries, occupancy costs, depreciation and amortization. Warehousing and assembly expenses increased in fiscal 2000 from fiscal 1999, primarily due to field warehousing expense. Pre-tax income for fiscal 2000 was $14,769, an increase of $3,410 from fiscal 1999.

The Company believes that the Electronics Group has an expanding market with a certain level of volatility related to both domestic and international new car sales and general economic conditions. Also, certain of its products are subject to price fluctuations which could affect the carrying value of inventories and gross margins in the future.

Other Income and Expense

Interest expense and bank charges increased $1,598 during fiscal 2000 from fiscal 1999.

Equity in income of equity investees, net, decreased by approximately $1,685 for fiscal 2000 compared to fiscal 1999. The majority of the decrease was due to decreases in the equity income of ASA and TALK. The decrease in ASA was due to a decrease in sales of mobile video products. The decrease in TALK was due to a change from analog to GSM within the wireless marketplace. During fiscal 2000, the Company disposed of its equity investment in TALK.

During 1999, the Company recorded an other-than-temporary decline in market value of its Shintom common stock in the amount of $1,953 and a related deferred tax benefit of $761. The write-down has been recorded as a component of other expense in the consolidated statements of operations.

During 1999, the Company purchased an additional 3,100,000 Japanese yen (approximately $27,467) of Shintom debentures and exercised its option to convert 2,882,788 Japanese yen of Shintom debentures into shares of Shintom common stock. The Company sold the Shintom common stock yielding net proceeds of $27,916 and a gain of $3,501.

During 2000, the Company exercised its option to convert 800,000 Japanese yen of Shintom debentures into shares of Shintom common stock. The Company sold the Shintom common stock, yielding net proceeds of $12,376 and a gain of $1,850.

During 2000, the Company sold 200,000 shares of its CellStar common stock yielding net proceeds of $851 and a gain of $537. In connection with the sale of the shares, the Company recognized $1,499 ($929 net of taxes) representing the net gain on the hedge of the available-for-sale securities (See Note 20(a)(2) to the consolidated financial statements for further discussion).

On March 31, 1999, Toshiba Corporation, a major supplier, purchased 5% of the Company’s subsidiary, ACC, a supplier of wireless products for $5,000 in cash. The Company currently owns 95% of ACC; prior to the transaction, ACC was a wholly-owned subsidiary. As a result of the issuance of ACC’s shares, the Company recognized a gain of $3,800 ($2,470 net of deferred taxes) during 1999.

Provision for Income Taxes

The effective tax rate for 1999 and 2000 was 36.2% and 37.3%, respectively. The increase in the effective tax rate was due to increased foreign taxes offset by a decrease in the valuation allowance and a decrease in state income taxes.

Liquidity and Capital Resources

The Company has historically financed its operations primarily through a combination of available borrowings under bank lines of credit and debt and equity offerings. As of November 30, 2001, the Company had a working capital (defined as current assets less current liabilities) of $282,913, which includes cash of $3,025 compared with working capital of $305,105 at November 30, 2000, which includes cash of $6,431. Operating activities used approximately $74,076, primarily from increases in inventory and a decrease in accounts payable, accrued expenses and other current liabilities, partially offset by a decrease in accounts receivable. Investing activities provided approximately $2,026, primarily from proceeds from distribution from an equity investee, partially offset by the purchase of property, plant and equipment. Financing activities provided approximately $68,685, primarily from borrowings from bank institutions.

In February 2000, the Company completed a follow-on offering of 3,565,000 Class A common shares at a price to the public of $45.00 per share. Of the 3,565,000 shares sold, the Company offered 2,300,000 shares and 1,265,000 shares were offered by selling shareholders. Audiovox received approximately $96,573 after deducting expenses. The Company used these net proceeds to repay a portion of amounts outstanding under their revolving credit facility, any portion of which can be reborrowed at any time. The Company did not receive any of the net proceeds from the sale of shares by the selling shareholders.

The Company's principal source of liquidity is its revolving credit agreement which expires July 27, 2004. The credit agreement provides for $250,000 of available credit, including $15,000 for foreign currency borrowings. The continued availability of this financing is dependent upon the Company's operating results which would be negatively impacted by a decrease in demand for the Company's products.

Under the credit agreement, the Company may obtain credit through direct borrowings and letters of credit. The obligations of the Company under the credit agreement are guaranteed by certain of the Company's subsidiaries and is secured by accounts receivable, inventory and the Company's shares of ACC. As of November 30, 2000, availability of credit under the credit agreement is a maximum aggregate amount of $250,000, subject to certain conditions, based upon a formula taking into account the amount and quality of its accounts receivable and inventory. At November 30, 2001, the amount of unused available credit is $78,551. The credit agreement also allows for commitments up to $50,000 in forward exchange contracts. In addition, the Company guarantees the borrowings of one of its equity investees at a maximum of $300.

The credit agreement contains several covenants requiring, among other things, minimum levels of pre-tax income and minimum levels of net worth. Additionally, the agreement includes restrictions and limitations on payments of dividends, stock repurchases and capital expenditures.

At May 31, 2001, November 30, 2001 and the first quarter ended February 28, 2002, the Company was not in compliance with certain of its pre-tax income covenants. The Company received waivers for the May 31, 2001 and February 28, 2002 violations and has not received a waiver for the November 30, 2001 violation related to pre-tax income. Accordingly, the bank obligations of $86,525 have been classified as a current liability on the accompanying consolidated balance sheet. Management is in the process of requesting a waiver for the violation. Subsequent to November 30, 2001, the Company repaid $79,800 of its $86,525 obligation at November 30, 2001, resulting in bank obligations outstanding at March 15, 2002 of $6,725. The Company will violate its pre-tax income covenant if it reports a pre-tax loss for the quarter ended May 31, 2002. Achieving pre-tax income for this quarter is significantly dependent upon the timing of customer acceptance of new technologies, customer demand and the ability of our vendors to supply sufficient quantities to fulfill anticipated customer demand, among other factors. While we were able to obtain waivers for such violations in 2001 and for the first quarter ended February 28, 2002, there can be no assurance that future negotiations with our lenders would be successful, therefore, resulting in amounts outstanding to be payable upon demand. This credit agreement has no cross covenants with the other credit facilities described below.

The Company also has revolving credit facilities in Malaysia to finance additional working capital needs. As of November 30, 2001, the available line of credit for direct borrowing, letters of credit, bankers' acceptances and other forms of credit approximately $5,242. The Malaysian credit facilities are partially secured by the Company under three standby letters of credit of $1,300, $800 and $1,400 and are payable on demand or upon expiration of the standby letters of credit which expire on January 15, 2002, August 31, 2002 and August 31, 2002, respectively. The Company renewed the January 15, 2002 letter of credit. The obligations of the Company under the Malaysian credit facilities are secured by the property and building in Malaysia owned by Audiovox Communications Sdn. Bhd.

The Company also has revolving credit facilities in Venezuela to finance additional working capital needs. The Venezuelan credit facility is secured by the Company under a standby letter of credit in the amount of $3,500 which expires on May 31, 2002 and is payable upon demand or upon expiration of the standby letter of credit.

The Company also has a revolving credit facility in Brazil to finance additional working capital needs. The Brazilian credit facility is secured by the Company under a standby letter of credit in the amount of $100, which expires on October 1, 2002 and is payable on demand or upon expiration of the standby letter of credit. At November 30, 2001, outstanding obligations under the credit facility were 254 Brazilian Bolivars ($100), and interest on the credit facility ranged from 24% to 27%.

At November 30, 2001, the Company had outstanding standby letters of credit aggregating $604 which expires on various dates from May 10, 2002 to July 31, 2002.

The Company has certain contractual cash obligations and other commercial commitments which will impact its short and long-term liquidity. At November 30, 2001, such obligations and commitments are as follows:

		Payments Due By Period			
Contractual Cash Obligations	Total	Less than 1 Year	1–3 Years	4–5 Years	After 5 years
Capital lease obligations	$ 14,758	$ 553	$ 1,659	$1,137	$11,409
Operating leases	5,297	2,045	3,075	177	—
Other current obligations	5,267	5,267	—	—	—
Total contractual cash obligations	$ 25,322	$ 7,865	$ 4,734	$1,314	$11,409

		Amount of Commitment Expiration per Period			
Other Commercial Commitments	Total Amounts Committed	Less than 1 Year	1–3 Years	4–5 Years	Over 5 years
Lines of credit	$ 92,213	$ 92,213	—	—	—
Standby letters of credit	7,704	7,704	—	—	—
Guarantees	300	300	—	—	—
Commercial letters of credit	37,635	37,635	—	—	—
Total commercial commitments	$137,852	$137,852	—	—	—

The Company regularly reviews its cash funding requirements and attempts to meet those requirements through a combination of cash on hand, cash provided by operations, available borrowings under bank lines of credit and possible future public or private debt and/or equity offerings. At times, the Company evaluates possible acquisitions of, or investments in, businesses that are complementary to those of the Company, which transactions may requires the use of cash. The Company believes that its cash, other liquid assets, operating cash flows, credit arrangement, access to equity capital markets, taken together, provide adequate resources to fund ongoing operating expenditures.

In the event that they do not, the Company may require additional funds in the future to support its working capital requirements or for other purposes, and may seek to raise such additional funds through the sale of public or private equity and/or debt financings as well as from other sources. No assurance can be given that additional financing will be available in the future or that if available, such financing will be obtainable on terms favorable to the Company when required.

Related Party Transactions

The Company has entered into several related party transactions which are described below.

Leasing Transactions

During 1998, the Company entered into a 30-year capital lease for a building with its principal stockholder and chief executive officer, which is the headquarters of the Wireless operation. Payments on the lease were based upon the construction costs of the building and the then-current interest rates. In connection with the capital lease, the Company paid certain costs on behalf of its principal stockholder and chief executive officer in the amount of $1,301. During 2000 and 2001, $800 was repaid to the Company.

During 1998, the Company entered into a sale/leaseback transaction with its principal stockholder and chief executive officer for $2,100 of equipment, which has been classified as an operating lease. The lease is a five-year lease with monthly payments of $34. No gain or loss was recorded on the transaction as the book value of the equipment equaled the fair market value.

The Company also leases certain facilities from its principal stockholder and several officers. Rentals for such leases are considered by management of the Company to approximate prevailing market rates. Total lease payments required under the leases for the five-year period ending November 30, 2005 are $2,919.

Amounts Due from Officer

During 2000, the Company advanced $620 to an officer/director of the Company which has been included in prepaid expenses and other current assets on the accompanying consolidated balance sheet. On December 1, 2000, the Company obtained an unsecured note in the amount of $620 for the advance. The note, which bears interest at the LIBOR rate, to be adjusted quarterly, plus 1.25% per annum, was due, principle and interest, on November 30, 2001. Subsequently, the note was reissued for $651, including accrued interest, under the same terms, due November 30, 2002. In addition, the Company has outstanding notes due from various officers of the Company aggregating $235 as of November 30, 2001, which have been included in other assets on the accompanying consolidated balance sheet. The notes bear interest at the LIBOR rate plus 0.5% per annum. Principle and interest are payable in equal annual installments beginning July 1, 1999 through July 1, 2003.

Transactions with Shintom and TALK

In April 2000, AX Japan purchased land and a building (the Property) from Shintom Co., Ltd. (Shintom) for 770,000,000 Yen (approximately $7,300) and entered into a leaseback agreement whereby Shintom has leased the Property from AX Japan for a one-year period. This lease is being accounted for as an operating lease by AX Japan. Shintom is a stockholder who owns all of the outstanding preferred stock of the Company and is a manufacturer of products purchased by the Company through its previously-owned equity investment, TALK Corporation (TALK). The Company currently holds stock in Shintom and has previously invested in Shintom convertible debentures.

The purchase of the Property by AX Japan was financed with a 500,000,000 Yen ($4,671) subordinated loan obtained from Vitec Co., Ltd. (Vitec), a 150,000,000 Yen loan ($1,397) from Pearl First (Pearl) and a 140,000,000 Yen loan ($1,291) from the Company. The land and building have been included in property, plant and equipment, and the loans have been recorded as notes payable on the accompanying consolidated balance sheet as of November 30, 2001. Vitec is a major supplier to Shintom, and Pearl is an affiliate of Vitec. The loans bear interest at 5% per annum, and principle is payable in equal monthly installments over a six-month period beginning six months subsequent to the date of the loans. The loans from Vitec and Pearl are subordinated completely to the loan from the Company, and, in liquidation, the Company receives payment first.

Upon the expiration of six months after the transfer of the title to the Property to AX Japan, Shintom has the option to repurchase the Property or purchase all of the shares of stock of AX Japan. These options can be extended for one additional six-month period. The option to repurchase the building is at a price of 770,000,000 Yen plus the equity capital of AX Japan (which in no event can be less than 60,000,000 Yen) and can only be made if Shintom settles any rent due AX Japan pursuant to the lease agreement. The option to purchase the shares of stock of AX Japan is at a price not less than the aggregate par value of the shares and, subsequent to the purchase of the shares, AX Japan must repay the outstanding loan due to the Company. If Shintom does not exercise its option to repurchase the Property or the shares of AX Japan, or upon occurrence of certain events, AX Japan can dispose of the Property as it deems appropriate. The events which result in the ability of AX Japan to be able to dispose of the Property include Shintom petitioning for bankruptcy, failing to honor a check, failing to pay rent, etc. If Shintom fails, or at any time becomes financially or otherwise unable to exercise its option to repurchase the Property, Vitec has the option to repurchase the Property or purchase all of the shares of stock of AX Japan under similar terms as the Shintom options.

In connection with this transaction, the Company received 100,000,000 Yen ($922) from Shintom for its 2,000 shares of TALK stock. The Company had the option to repurchase the shares of TALK at a purchase price of 50,000 Yen per share, with no expiration date. Given the option to repurchase the shares of TALK, the Company did not surrender control over the shares of TALK and, accordingly, had not accounted for this transaction as a sale. In August 2000, the Company surrendered its option to repurchase the shares of TALK. As such, the Company recorded a gain on the sale of shares in the amount of $427 in August 2000.

AX Japan had the option to delay the repayment of the loans for an additional six months if Shintom extended its options to repurchase the Property or stock of AX Japan. In September 2000, Shintom extended its option to repurchase the Property and AX Japan delayed its repayment of the loans for an additional six months.

In March 2001, upon the expiration of the additional six-month period, the Company and Shintom agreed to extend the lease for an additional one-year period. In addition, Shintom was again given the option to purchase the Property or shares of stock of AX Japan after the expiration of a six-month period or extend the option for one additional six-month period. AX Japan was also given the option to delay the repayment of the loans for an additional six months if Shintom extended its option for an additional six months.

The Company engages in transactions with Shintom and TALK. TALK, which holds world-wide distribution rights for product manufactured by Shintom, has given the Company exclusive distribution rights on all wireless personal communication products for all countries except Japan, China, Thailand and several mid-eastern countries. Through October 2000, the Company held a 30.8% interest in TALK. The Company no longer holds an equity interest in TALK.

Transactions with Shintom and TALK include financing arrangements and inventory purchases which approximated 11%, 7% and 1.5% for the years ended November 30, 1999, 2000 and 2001, respectively, of total inventory purchases. At November 30, 1999, 2000 and 2001, the Company had recorded $20, $1 and $331, respectively, of liability due to TALK for inventory purchases included in accounts payable. The Company also had documentary acceptance obligations payable to TALK as of November 30, 1999. There were no documentary acceptance obligations payable to TALK as of November 30, 2000 and 2001. At November 30, 1999, 2000 and 2001, the Company had recorded a receivable from TALK in the amount of $3,741, $3,823 and $265, respectively, a portion of which is payable with interest, which is reflected in receivable from vendors on the accompanying consolidated financial statements.

Transactions with Toshiba

On March 31, 1999, Toshiba Corporation, a major supplier, purchased 5% of the Company's subsidiary, Audiovox Communications Corp. (ACC), a supplier of wireless products for $5,000 in cash. The Company currently owns 95% of ACC; prior to the transaction, ACC was a wholly-owned subsidiary. As a result of the issuance of ACC's shares, the Company recognized a gain of $3,800 in 1999 ($2,204 after provision for deferred taxes). The gain on the issuance of the subsidiary's shares have been recognized in the consolidated statements of operations in accordance with the Company's policy on the recognition of such transactions.

In February 2000 and 2001, the Board of Directors of Audiovox Communications Corp. (ACC), declared a dividend payable to its shareholders, Audiovox Corporation, a 95% shareholder, and Toshiba Corporation (Toshiba), a 5% shareholder. ACC paid Toshiba its share of the dividend, which approximated $859 and $1,034 in 2000 and 2001, for the years ended November 30, 1999 and 2000, respectively.

During the year ended November 30, 2001, 34% of the Company's inventory purchases were from Toshiba Corporation (Toshiba). Toshiba owns 5% of the Company's Wireless subsidiary. Inventory on hand at November 30, 2001 purchased from Toshiba approximated $99,816. During the quarter ended November 30, 2001, the Company recorded a receivable in the amount of $4,550 from Toshiba for upgrades that were performed by the Company in 2001 on certain models which Toshiba manufactured. Subsequent to November 30, 2001, the amount was received in full.

Impact of Inflation and Currency Fluctuation

Inflation has not had a significant impact on the Company's financial position or operating results. To the extent that the Company expands its operations into Latin America and the Pacific Rim, the effects of inflation and currency fluctuations in those areas could have growing significance to its financial condition and results of operations. Fluctuations in the foreign exchange rates in Pacific Rim countries have not had a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

While the prices that the Company pays for the products purchased from its suppliers are principally denominated in United States dollars, price negotiations depend in part on the relationship between the foreign currency of the foreign manufacturers and the United States dollar. This relationship is dependent upon, among other things, market, trade and political factors.

Seasonality

The Company typically experiences some seasonality in its operations. The Company generally experiences a substantial amount of its sales during September, October and November. December is also a key month for the Company due to increased demand for its products during the holiday season. This increase results from increased promotional and advertising activities from the Company's customers to end-users.

Recent Accounting Pronouncements

In April 2001, the Emerging Issues Task Force (EITF) reached a final consensus on EITF Issue No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products" ("EITF 00-25"), which requires that unless specific criteria are met, consideration from a vendor to a retailer (e.g., "slotting fees," co-operative advertising agreements, "buy downs," etc.) be recorded as a reduction from revenue, as opposed to selling expense. This consensus is effective for fiscal quarters beginning after December 15, 2001. Management of Company is in the process of assessing the impact that implementing EITF Issue No. 00-25 will have on the consolidated financial statements.

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations" (Statement 141), and Statement No. 142, "Goodwill and Other Intangible Assets" (Statement 142). Statement 141 requires companies to account for acquisitions entered into after June 30, 2001 using purchase method and establishes criteria to be used in determining whether acquired intangible assets are to be recorded separately from goodwill. These criteria are to be applied to business combinations completed after June 30, 2001. Statement 141 will require, upon adoption of Statement 142, that the Company evaluate its existing intangible assets and goodwill that were acquired in a prior purchase business combination, and make any necessary reclassifications in order to conform with the new criteria in Statement 141 for recognition apart from goodwill. The Company does not believe that implementation of Statement 141 will have an impact on the Company's financial position and results of operations.

Statement 142 requires that goodwill and intangible assets with indefinite useful lives no longer to be amortized, but rather will be tested for impairment at least annually. Statement 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (Statement 121). Upon adoption of Statement 142, the company will be required to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To accomplish this, the Company must identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. The Company will adopt the requirement of the provisions of Statement 142 effective December 1, 2002 and, accordingly, will reverse into income unamortized negative goodwill, which approximates $240 at November 30, 2001. In addition, implementation of Statement 142 will result in the Company no longer recording amortization expense relating to its $4,732 of goodwill, net of accumulated amortization, recorded as of November 30, 2001 of approximately $342 per year. The Company's goodwill consists solely of equity method goodwill and, as such, will continue to be evaluated for impairment under Statement 121. The Company has no other intangible assets with indefinite lives.

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" (Statement 143). Statement 143 is effective for fiscal years beginning after June 15, 2002, and establishes an accounting standard requiring the recording of the fair value of liabilities associated with the retirement of long-lived assets in the period in which they are incurred. The Company does not expect the adoption of Statement 143 to have a significant effect on its results of operations or its financial position.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment of Long-Lived Assets" (Statement 144), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement supersedes Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," while retaining the fundamental recognition and measurement provisions of that statement. Statement No. 144 requires that a long-lived asset to be abandoned, exchanged for a similar productive asset or distributed to owners in a spin-off to be considered held and used until it is disposed of. However, Statement No. 144 requires that management consider revising the depreciable life of such long-lived asset. With respect to long-lived assets to be disposed of by sale, Statement No. 144 retains the provisions of Statement No. 121 and, therefore, requires that discontinued operations no longer be measured on a net realizable value basis and that future operating losses associated with such discontinued operations no longer be recognized before they occur. Statement No. 144 is effective for all fiscal quarters of fiscal years beginning after December 15, 2001, and will thus be adopted by the Company on December 1, 2002. The Company has not determined the effect, if any, that the adoption of Statement No. 144 will have on the Company's consolidated financial statements.

In November 2001, the EITF reached several consensuses on Issue 01-9, "Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products." This Issue is a codification of the issues addressed in EITF 00-14, "Accounting for Certain Sales Incentives," and EITF 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Product," as well as issues 2 and 3 of Issue 00-22, "Accounting for 'Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future." In addition, several reconciling and clarifying issues that were identified in the codification process were addressed. The consensuses codified in Issue 01-9 must be applied in financial statements for any interim or annual period beginning after December 15, 2001, with the exception of the consensus on one issue which must be applied in financial statements for any interim or annual period ending after February 15, 2001. Accordingly, the consensus on one issue will be effective for the quarter ended February 28, 2002 and the entire consensus which will be effective for the quarter ended May 31, 2002. Management of the Company is in the process of assessing the impact that implementing EITF 01-9 will have on the consolidated financial statements.

Quantitative and Qualitative Disclosures About Market Risk

Market Risk Sensitive Instruments

The market risk inherent in the Company's market risk sensitive instruments and positions is the potential loss arising from adverse changes in marketable equity security prices, foreign currency exchange rates and interest rates.

Marketable Securities

Marketable securities at November 30, 2001, which are recorded at fair value of $5,777 and include net unrealized losses of $(1,647), have exposure to price risk. This risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in prices quoted by stock exchanges and amounts to $578 as of November 30, 2001. Actual results may differ.

Interest Rate Risk

The Company's bank loans expose earnings to changes in short-term interest rates since interest rates on the underlying obligations are either variable or fixed for such a short period of time as to effectively become variable. The fair values of the Company's bank loans are not significantly affected by changes in market interest rates.

Foreign Exchange Risk

In order to reduce the risk of foreign currency exchange rate fluctuations, the Company hedges transactions denominated in a currency other than the functional currencies applicable to each of its various entities. The instruments used for hedging are forward contracts with banks. The changes in market value of such contracts have a high correlation to price changes in the currency of the related hedged transactions. There were no hedge transactions at November 30, 2001. Intercompany transactions with foreign subsidiaries and equity investments are typically not hedged. Therefore, the potential loss in fair value for a net currency position resulting from a 10% adverse change in quoted foreign currency exchange rates as of November 30, 2001 is not applicable.

The Company is subject to risk from changes in foreign exchange rates for its subsidiaries and equity investments that use a foreign currency as their functional currency and are translated into U.S. dollars. These changes result in cumulative translation adjustments which are included in accumulated other comprehensive income. On November 30, 2001, the Company had translation exposure to various foreign currencies with the most significant being the Malaysian ringgit, Thailand baht and Canadian dollar. The Company also has a Venezuelan subsidiary in which translation adjustments are included in net income. The potential loss resulting from a hypothetical 10% adverse change in quoted foreign currency exchange rates, as of November 30, 2001, amounts to $634. Actual results may differ.

Certain of the Company's investments in marketable securities and notes payable are subject to risk from changes in the Japanese yen rate. As of November 30, 2001, the amount of loss in fair value resulting from a hypothetical 10% adverse change in the Japanese yen rate approximates $699. Actual results may differ.

Consolidated Balance Sheets

November 30, 2000 and 2001

(In thousands, except share data)	2000	**2001**
Assets		
Current assets:		
Cash	$ 6,431	**$ 3,025**
Accounts receivable, net	279,402	**227,209**
Inventory, net	140,065	**225,662**
Receivable from vendor	5,566	**6,919**
Prepaid expenses and other current assets	6,830	**7,632**
Deferred income taxes, net	11,172	**11,997**
Total current assets	449,466	**482,444**
Investment securities	5,484	**5,777**
Equity investments	11,418	**10,268**
Property, plant and equipment, net	27,996	**25,687**
Excess cost over fair value of assets acquired and other intangible assets, net	5,098	**4,742**
Deferred income tax, net	100	**3,148**
Other assets	2,325	**1,302**
	$501,877	**$533,368**
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 61,060	**$ 57,162**
Accrued expenses and other current liabilities	62,569	**41,854**
Income taxes payable	6,274	**3,035**
Bank obligations	8,104	**92,213**
Notes payable	5,868	**5,267**
Current installment of long-term debt	486	**—**
Total current liabilities	144,361	**199,531**
Bank obligations	15,000	**—**
Capital lease obligation	6,260	**6,196**
Deferred compensation	2,208	**3,844**
Total liabilities	167,829	**209,571**
Minority interest	3,555	**1,851**
Stockholders' equity:		
Preferred stock, liquidation preference of $2,500	2,500	**2,500**
Common stock:		
Class A; 30,000,000 and 60,000,000 authorized 2000 and 2001, respectively; 20,291,046 and 20,615,846 issued 2000 and 2001, respectively; 19,528,554 and 19,706,309 outstanding 2000 and 2001, respectively	204	**207**
Class B convertible; 10,000,000 authorized; 2,260,954 issued and outstanding	22	**22**
Paid-in capital	248,468	**250,785**
Retained earnings	90,371	**82,162**
Accumulated other comprehensive loss	(5,058)	**(6,344)**
Treasury stock, at cost, 762,492 and 909,537 Class A common stock 2000 and 2001, respectively	(6,004)	**(7,386)**
Total stockholders' equity	330,503	**321,946**
Commitments and contingencies		
Total liabilities and stockholders' equity	$501,887	**$533,368**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

Years Ended November 30, 1999, 2000 and 2001

(In thousands, except per share data)	1999	2000	**2001**
Net sales	$1,161,533	$1,704,459	**$1,267,746**
Cost of sales	1,026,905	1,552,091	**1,167,208**
Gross profit	134,628	152,368	**100,538**
Operating expenses:			
Selling	36,606	45,942	**41,151**
General and administrative	44,748	47,020	**46,405**
Warehousing, assembly and repair	15,037	20,882	**23,519**
Total operating expenses	96,391	113,844	**111,075**
Operating income (loss)	38,237	38,524	**(10,537)**
Other income (expense):			
Interest and bank charges	(4,712)	(6,310)	**(5,922)**
Equity in income of equity investees	4,257	2,572	**3,586**
Gain on sale of investments	3,501	2,387	**—**
Gain on hedge of available-for-sale securities	—	1,499	**—**
Gain on issuance of subsidiary shares	3,800	—	**—**
Other, net	(2,360)	1,293	**727**
Total other income (expense), net	4,486	1,441	**(1,609)**
Income (loss) before provision for (recovery of) income taxes and extraordinary item	42,723	39,965	**(12,146)**
Provision for (recovery of) income taxes	15,477	14,925	**(3,937)**
Income (loss) before extraordinary item	27,246	25,040	**(8,209)**
Extraordinary item—gain on extinguishment of debt	—	2,189	**—**
Net income (loss)	$ 27,246	$ 27,229	**$ (8,209)**
Net income (loss) per common share before extraordinary item:			
Basic	$ 1.43	$ 1.17	**$ (0.38)**
Diluted	$ 1.39	$ 1.11	**$ (0.38)**
Net income (loss) per common share:			
Basic	$ 1.43	$ 1.27	**$ (0.38)**
Diluted	$ 1.39	$ 1.21	**$ (0.38)**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss)

Years Ended November 30, 1999, 2000 and 2001

(In thousands, except share data)	Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Compre-hensive Income (Loss)	Gain on Hedge of Available-for-Sale Securities	Treasury Stock	Total Stockholders' Equity
Balances at November 30, 1998	$2,500	$195	$143,339	$35,896	$ (1,550)	$ 929	$(3,589)	$177,720
Comprehensive income:								
Net income	—	—	—	27,246	—	—	—	27,246
Other comprehensive income, net of tax:								
Foreign currency translation adjustment	—	—	—	—	940	—	—	940
Unrealized gain on marketable securities, net of tax effect of $3,540	—	—	—	—	5,775	—	—	5,775
Other comprehensive income								6,715
Comprehensive income								33,961
Compensation expense (income)	—	—	158	—	—	—	—	158
Exercise of stock options into 364,550 shares of common stock and issuance of 39,305 shares under the Restricted Stock Plan	—	4	2,775	—	—	—	—	2,779
Tax benefit of stock options exercised	—	—	1,101	—	—	—	—	1,101
Conversion of debentures into 70,565 shares	—	1	1,248	—	—	—	—	1,249
Issuance of warrants	—	1	662	—	—	—	—	663
Purchase of warrants	—	—	(5)	—	—	—	—	(5)
Acquisition of 122,982 common shares	—	—	—	—	—	—	(882)	(882)
Balances at November 30, 1999	2,500	201	149,278	63,142	5,165	929	(4,471)	216,744
Comprehensive income:								
Net income	—	—	—	27,229	—	—	—	27,229
Other comprehensive loss, net of tax:	—	—	—	—	—	—	—	
Foreign currency translation adjustment	—	—	—	—	(104)	—	—	(104)
Unrealized loss on marketable securities, net of tax effect of $(6,202)	—	—	—	—	$(10,119)	—	—	(10,119)
Other comprehensive loss								(10,223)
Comprehensive income								17,006
Exercise of stock options into 121,300 shares of common stock and issuance of 11,671 shares under the Restricted Stock Plan	—	1	836	—	—	—	—	837
Tax benefit of stock options exercised	—	—	1,270	—	—	—	—	1,270
Conversion of debentures into 30,170 shares	—	1	534	—	—	—	—	535
Issuance of 2,300,000 shares in connection with stock offering	—	23	96,550	—	—	—	—	96,573
Acquisition of 141,455 common shares	—	—	—	—	—	—	(1,533)	(1,533)
Recognition of gain on hedge of available-for-sale securities	—	—	—	—	—	(929)	—	(929)
Balances at November 30, 2000	2,500	226	248,468	90,371	(5,058)	—	(6,004)	330,503
Comprehensive loss:								
Net loss	**—**	**—**	**—**	**(8,209)**	**—**	**—**	**—**	**(8,209)**
Other comprehensive loss, net of tax:								
Foreign currency translation adjustment	**—**	**—**	**—**	**—**	**(455)**	**—**	**—**	**(455)**
Unrealized loss on marketable securities, net of tax effect of $(509)	**—**	**—**	**—**	**—**	**(831)**	**—**	**—**	**(831)**
Other comprehensive loss								**(1,286)**
Comprehensive loss								**(9,495)**
Exercise of stock options into 10,000 shares of common stock	**—**	**—**	**77**	**—**	**—**	**—**	**—**	**77**
Conversion of stock warrants into 314,800 shares	**—**	**3**	**2,240**	**—**	**—**	**—**	**—**	**2,243**
Acquisition of 147,045 common shares	**—**	**—**	**—**	**—**	**—**	**—**	**(1,382)**	**(1,382)**
Balances at November 30, 2001	**$2,500**	**$229**	**$250,785**	**$82,162**	**$ (6,344)**	**$ —**	**$(7,386)**	**$321,946**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended November 30, 1999, 2000 and 2001

(In thousands)	1999	2000	**2001**
Cash flows from operating activities:			
Net income (loss)	$ 27,246	$ 27,229	**$ (8,209)**
Adjustment to reconcile net income (loss)			
Depreciation and amortization	3,288	4,128	**4,476**
Provision for bad debt expense	3,255	2,519	**1,936**
Equity in income of equity investments, net	(4,257)	(2,572)	**(3,586)**
Minority interest	(220)	1,087	**(670)**
Gain on sale of investments	(3,501)	(427)	**—**
Gain from the sale of shares of equity investment	—	(2,387)	**—**
Gain on hedge of available-for-sale securities	—	(1,499)	**—**
Gain on issuance of subsidiary shares	(3,800)	—	**—**
Other-than-temporary decline in market value of investment security	1,953	—	**—**
Deferred income tax benefit, net	(565)	(6,034)	**(3,364)**
Extraordinary item	—	(2,189)	**—**
(Gain) loss on disposal of property, plant and equipment, net	36	(1)	**(18)**
Income tax benefit on exercise of stock options	(1,163)	(1,270)	**—**
Changes in:			
Accounts receivable	(109,889)	(45,531)	**49,632**
Receivable from vendor	(8,371)	3,761	**(1,353)**
Inventory	(64,533)	(3,945)	**(86,025)**
Accounts payable, accrued expenses and other current liabilities	56,615	18,974	**(23,907)**
Income taxes payable	5,185	(659)	**(3,258)**
Investment securities—trading	—	(2,211)	**(1,633)**
Prepaid expenses and other, net	3,105	4,399	**1,903**
Net cash used in operating activities	(95,616)	(6,628)	**(74,076)**
Cash flows from investing activities:			
Purchases of investment securities	(14,151)	—	**—**
Purchases of property, plant and equipment, net	(4,822)	(12,047)	**(2,608)**
Net proceeds from sale of investment securities	11,201	13,227	**—**
Proceeds from distribution from an equity investee	1,648	1,286	**4,634**
Proceeds from issuance of subsidiary shares	5,000	—	**—**
Proceeds from the sale of shares of equity investment	—	922	**—**
Net cash provided by (used in) investing activities	(1,124)	3,388	**2,026**
Cash flows from financing activities:			
Net borrowings (repayments) of bank obligations	93,428	(94,674)	**69,299**
Issuance of notes payable	—	5,868	**—**
Payment of dividend to minority shareholder of subsidiary	—	(859)	**(1,034)**
Net repayments under documentary acceptances	(1,910)	(1,994)	**—**
Debt issuance costs	(1,175)	—	**—**
Principal payments on capital lease obligation	(19)	(19)	**(29)**
Proceeds from exercise of stock options and warrants	3,442	837	**2,317**
Repurchase of Class A common stock	(882)	(1,534)	**(1,382)**
Principal payments on subordinated debt	—	—	**(486)**
Net proceeds from sale of common stock	—	96,573	**—**
Net cash provided by financing activities	92,884	4,198	**68,685**
Effect of exchange rate changes on cash	(15)	(54)	**(41)**
Net increase (decrease) in cash	(3,871)	904	**(3,406)**
Cash at beginning of period	9,398	5,527	**6,431**
Cash at end of period	$ 5,527	$ 6,431	**$ 3,025**

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Description of Business

Audiovox Corporation and its subsidiaries (the Company) design and market a diverse line of products and provide related services throughout the world. These products and services include handsets and accessories for wireless communications, fulfillment services for wireless carriers, automotive entertainment and security products, automotive electronic accessories and consumer electronics.

The Company operates in two primary markets:

(1) Wireless communications. The Wireless Group markets wireless handsets and accessories through domestic and international wireless carriers and their agents, independent distributors and retailers.

(2) Mobile and consumer electronics. The Electronics Group sells autosound, mobile electronics and consumer electronics primarily to mass merchants, power retailers, specialty retailers, new car dealers, original equipment manufactures (OEMs), independent installers of automotive accessories and the U.S. military.

(b) Principles of Consolidation

The consolidated financial statements include the financial statements of Audiovox Corporation and its wholly-owned and majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

(c) Cash Equivalents

Investments with original maturities of three months or less are considered cash equivalents. There were no cash equivalents at November 30, 2000 and 2001.

(d) Revenue Recognition

Revenues are recorded at the time of shipment and passage of title to the customer. In the fourth quarter of 2001, the Company adopted Staff Accounting Bulleting 101, "Revenue Recognition in Financial Statements" (SAB 101). The Company's adoption of SAB 101 did not have an impact on its consolidated financial position or results of operations.

(e) Co-Operative Advertising Allowances, Market Development Funds and Volume Incentive Rebates

Accruals for trade and promotional co-operative advertising allowances, market development funds and volume incentive rebates are established either when the related revenues are recognized or the related advertising takes place in accordance with Statement of Position 93-7, "Accounting for Advertising Costs." These discounts and allowances are reflected in the accompanying consolidated balance sheets as a reduction of accounts receivable as they are utilized by customers to reduce their trade indebtedness to the Company and in selling expenses in the accompanying consolidated statements of operations.

The Company initially accrues for all of its co-operative advertising allowances, market development funds and volume incentive rebates as this represents the Company's full obligation. With respect to the volume incentive rebates, the customers are required to purchase a specified volume of a specified product. The Company accrues for the rebate as product is shipped. When specified volume levels are not achieved, and, therefore, the customer is not entitled to the funds, the Company revises its estimate of its liability. In addition, the Company will revise its estimate of its liability based upon the likelihood of its customers not requesting the funds. The accrual for co-operative advertising allowances, market development funds and volume incentive rebates at November 30, 2000 and 2001 of $16,092 and $10,366, respectively, represents managements best estimate of amounts owed under these arrangements. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that the accrual will be further revised in the near term. During 1999, 2000 and 2001, the Company recorded in income $4,095, $8,265 and $12,820, respectively, which represents revisions to previously established co-operative advertising allowances, market development funds and volume incentive rebates accruals.

Co-operative advertising allowances, market development funds and volume incentive rebate expenses approximated $15,390, $21,923 and $16,027 for the years ended November 30, 1999, 2000 and 2001, respectively.

In April 2001, the Emerging Issues Task Force (EITF) reached a final consensus on EITF Issue NO. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products," which requires that, unless specific criteria are met, consideration from a vendor to a retailer (e.g. "slotting fees," co-operative advertising agreements, "buy downs," etc.) be recorded as a reduction from revenue, as opposed to selling expense. This consensus is effective for fiscal quarters beginning after December 15, 2001. Management of the Company is in the process of assessing the impact that implementing EITF Issue No. 00-25 will have on the consolidated financial statements.

In November 2001, the EITF reached several consensuses on Issue 01-9, "Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products." This Issue is a codification of the issues addressed in EITF 00-14, "Accounting for Certain Sales Incentives," and EITF 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Product," as well as issues 2 and 3 of Issue 00-22, "Accounting for 'Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future." In addition, several reconciling and clarifying issues that were identified in the codification process were addressed. The consensuses codified in Issue 01-9 must be applied in financial statements for any interim or annual period beginning after December 15, 2001, with the exception of the consensus on one issue which must be applied in financial statements for any interim or annual period ending after February 15, 2001. Accordingly, the consensus on one issue will be effective for the quarter ended February 28, 2002 and the entire consensus which will be effective for the quarter ended May 31, 2002. Management of the Company is in the process of assessing the impact that implementing EITF 01-9 will have on the consolidated financial statements.

(f) Inventory

Inventory consists principally of finished goods and is stated at the lower of cost (primarily on a weighted moving average basis) or market. The markets in which the Company competes are characterized by declining prices, intense competition, rapid technological change and frequent new product introductions. The Company maintains a significant investment in inventory and, therefore, is subject to the risk of losses on write-downs to market and inventory obsolescence. During the fourth quarter of 2000, the Company decided to substantially exit the analog phone line of business to reflect the rapid shift in the wireless industry from analog to digital technology and recorded a charge of approximately $8,152 to reduce its carrying value of its analog inventory to estimated market value. During the second quarter of 2001, the Company recorded an additional charge of approximately $13,500 to further adjust the carrying value of its inventory to market. During the fourth quarter ended November 30, 2001, the Company recorded inventory write-downs to market of $7,150 as a result of the reduction of selling prices primarily related to digital hand-held phones during the first quarter of 2002 in anticipation of new digital technologies. It is reasonably possible that additional write-downs to market may be required in the future, however, no estimate can be made of such losses. In addition, given the anticipated emergence of new technologies in the wireless industry, the Company will need to sell existing inventory quantities of current technologies to avoid further write-downs to market. In particular, at November 30, 2001, the Company had on hand 575,000 units of a certain phone model, which approximated $75,423. In the near future, the Company expects to introduce a new model, as well as new technologies. No guarantee can be made that further reductions in the carrying value of this or other models will not be required in the future.

(g) Investment Securities

The Company classifies its equity securities in one of two categories: trading or available-for-sale. Trading securities are bought and held principally for the purpose of selling them in the near term. All other securities not included in trading are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a component of accumulated other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis.

A decline in the market value of any available-for-sale security below cost that is deemed other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. Dividend and interest income are recognized when earned.

(h) Derivative Financial Instruments

Effective December 1, 2000, the Company adopted the provisions of Statement of Financial Accounting Standards No. 133, “Accounting for Derivative Instruments and Hedging Activities” (Statement 133), which establishes new accounting and reporting guidelines for derivative instruments and hedging activities. Statement 133 requires the recognition of all derivative financial instruments as either assets or liabilities in the statements of financial condition and measurement of those instruments at fair value. Changes in the fair values of those derivatives are reported in earnings or other comprehensive income (loss) depending on the designation of the derivative and whether it qualifies for hedge accounting. The accounting for gains and losses associated with changes in the fair value of a derivative and the effect on the consolidated financial statements will depend on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value or cash flows of the asset or liability hedged. Under the provisions of Statement 133, the method that will be used for assessing the effectiveness of a hedging derivative, as well as the measurement approach for determining the ineffective aspects of the hedge, must be established at the inception of the hedged instrument. The adoption of Statement 133 had no impact o the Company’s results of operations or financial position

The Company’s evaluations of hedge effectiveness are subject to assumptions based on the terms and timing of the underlying exposures. For a fair value hedge, both the effective and ineffective portions of the change in fair value of the derivative instrument, along with an adjustment to the carrying amount of the hedge item for fair value changes attributable to the hedge risk, are recognized in earnings. For a cash flow hedge, changes in the fair value of a derivative instrument that is highly effective are deferred in accumulated other comprehensive income or loss until the underlying hedged item is recognized in earnings. The ineffective portion is recognized in earnings immediately. If a fair value or cash flow hedge was to cease to qualify for hedge accounting or be terminated, it would continue to be carried on the balance sheet at fair value until settled, but hedge accounting would be discontinued prospectively. If a forecasted transaction were no longer probable of occurring, amounts previously deferred in accumulated other comprehensive income would be recognized immediately in earnings.

The Company, as a policy, does not use derivative financial instruments for trading purposes. A description of the derivative financial instruments used by the Company follows:

(1) Forward Exchange Contracts

The Company conducts business in several foreign currencies and, as a result, is subject to foreign currency exchange rate risk due to the effects that exchange rate movements of these currencies have on the Company’s costs. To minimize the effect of exchange rate fluctuations on costs, the Company enters into forward exchange rate contracts. The Company, as a policy, does not enter into forward exchange contracts for trading purposes. The forward exchange rate contracts are entered into as hedges of inventory purchase commitments and of trade receivables due in foreign currencies.

Gains and losses on the forward exchange contracts that qualify as hedges are reported as a component of the underlying transaction. Foreign currency transactions which have not been hedged are marked to market on a current basis with gains and losses recognized through income and reflected in other income (expense). In addition, any previously deferred gains and losses on hedges which are terminated prior to the transaction date are recognized in current income when the hedge is terminated (Note 20(a)(1)).

(2) Equity Collar

As of November 30, 1999, the Company had an equity collar for 200,000 of its shares in CellStar Corporation (CellStar) (Note 20(a)(2)). The equity collar was recorded on the balance sheet at fair value with gains and losses on the equity collar reflected as a separate component of stockholders' equity. The equity collar acted as a hedging item for the CellStar shares. During 2000, the Company sold 200,000 shares of CellStar common stock and in connection with the sale of the shares, recognized $1,499 ($929 net of taxes) representing the net gain on the hedge of the available-for-sale securities (Note 20(a)(2)).

(i) Debt Issuance Costs

Costs incurred in connection with the restructuring of bank obligations (Note 11(a)) have been capitalized. During 2000, the Company capitalized $148 in fees associated with the restructuring and various amendments to the Company's credit agreement. These charges are amortized over the lives of the respective agreements. Amortization expense of these costs amounted to $160, $434 and $336 for the years ended November 30, 1999, 2000 and 2001, respectively.

(j) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Equipment under capital lease is stated at the present value of minimum lease payments. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20–30 years
Furniture, fixtures and displays	5–10 years
Machinery and equipment	5–10 years
Computer hardware and software	3–5 years
Automobiles	3 years

Leasehold improvements are amortized over the shorter of the lease term or estimated useful life of the asset. Assets acquired under capital lease are amortized over the term of the lease.

In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143, "Accounting for Asset Retirement Obligations" (Statement 143). Statement 143 is effective for fiscal years beginning after June 15, 2002, and establishes an accounting standard requiring the recording of the fair value of liabilities associated with the retirement of long-lived assets in the period in which they are incurred. The Company does not expect the adoption of Statement 143 to have a significant effect on its results of operations or its financial position.

(k) Intangible Assets

Intangible assets consist of patents, trademarks and the excess cost over fair value of equity investments (goodwill). Excess cost over fair value of equity investments is being amortized, on a straight-line basis, over periods not exceeding twenty years. The costs of other intangible assets are amortized on a straight-line basis over their respective lives. Accumulated amortization approximated $3,145 and $3,502 at November 30, 2000 and 2001, respectively. Amortization of the excess cost over fair value of assets acquired and other intangible assets amounted to $429, $547 and $344 for the years ended November 30, 1999, 2000 and 2001, respectively.

On an ongoing basis, the Company reviews the valuation and amortization of its intangible assets. As a part of its ongoing review, the Company estimates the fair value of intangible assets taking into consideration any events and circumstances which may diminish fair value.

The recoverability of the excess cost over fair value of assets acquired is assessed by determining whether the amortization over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operation. The amount of impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds. The assessment of the recoverability of the excess cost over fair value of assets acquired will be impacted if estimated future operating cash flows are not achieved.

In July 2001, the FASB issued Statement No. 141, "Business Combinations" (Statement 141), and Statement No. 142, "Goodwill and Other Intangible Assets" (Statement 142). Statement 141 requires companies to account for acquisitions entered into after June 30, 2001 using purchase method and establishes criteria to be used in determining whether acquired intangible assets are to be recorded separately from goodwill. These criteria are to be applied to business combinations completed after June 30, 2001. Statement 141 will require, upon adoption of Statement 142, that the Company evaluate its existing intangible assets and goodwill that were acquired in a prior purchase business combination, and make any necessary reclassifications in order to conform with the new criteria in Statement 141 for recognition apart from goodwill. The Company does not believe that implementation of Statement 141 will have an impact on the Company's financial position and results of operations.

Statement 142 requires that goodwill and intangible assets with indefinite useful lives no longer to be amortized, but rather will be tested for impairment at least annually. Statement 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." Upon adoption of Statement 142, the company will be required to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To accomplish this, the Company must identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. The Company will adopt the requirement of the provisions of Statement 142 effective December 1, 2002. Implementation of Statement 142 will result in the Company no longer recording amortization expense relating to it $4,732 of goodwill, net of accumulated amortization, recorded as of November 30, 2001 of approximately $342 per year. The Company's goodwill consists solely of equity method goodwill and, as such, will continue to be evaluated for impairment under Statement 121. The Company has no other intangible assets with indefinite lives.

(l) Equity Investments

The Company has common stock investments which are accounted for by the equity method as the Company owns between 20% and 50% of the common stock (Note 9).

(m) Cellular Telephone Commissions

Under various agency agreements, the Company receives an initial activation commission for obtaining subscribers for cellular telephone services. The agreements may contain provisions for additional commissions based upon usage and length of continued subscription. The agreements also provide for the reduction or elimination of initial activation commissions if subscribers deactivate service within stipulated periods. The Company has provided a liability for estimated cellular deactivations which is reflected in the accompanying consolidated financial statements as a reduction of accounts receivable.

The Company recognizes sales revenue for the initial activation and residual commissions based upon usage on the accrual basis. Such commissions approximated $29,547, $32,475 and $29,859 for the years ended November 30, 1999, 2000 and 2001, respectively. Related commissions paid to outside selling representatives for cellular activations are included in cost of sales in the accompanying consolidated statements of operations and amounted to $19,884, $23,186 and $22,390 for the years ended November 30, 1999, 2000 and 2001, respectively.

(n) Advertising

The Company expenses the costs of advertising as incurred, excluding co-operative advertising allowances, market development funds and volume incentive rebates (Note 1(e)). During the years ended November 30, 1999, 2000 and 2001, the Company had no direct response advertising.

(o) Warranty Expenses

The Company provides warranties for all of its products ranging from 90 days to the lifetime of the product. Warranty expenses are accrued at the time of sale based on the Company's estimated cost to repair expected returns for products. At November 30, 2000 and 2001, the liability for future warranty expense amounted to $8,263 and $9,165, respectively.

(p) Foreign Currency

With the exception of a subsidiary operation in Venezuela, which has been deemed a hyper inflationary economy, assets and liabilities of those subsidiaries and equity investees located outside the United States whose cash flows are primarily in local currencies have been translated at rates of exchange at the end of the period or historical exchange rates, as appropriate. Revenues and expenses have been translated at the weighted average rates of exchange in effect during the period. Gains and losses resulting from translation are accumulated in the cumulative foreign currency translation account in accumulated other comprehensive income. For the operation in Venezuela, financial statements are translated at either current or historical exchange rates, as appropriate. These adjustments, along with gains and losses on currency transactions, are reflected in the consolidated statements of operations.

Exchange gains and losses on intercompany balances of a long-term nature are also recorded in the cumulative foreign currency translation adjustment account in accumulated other comprehensive income. Exchange gains and losses on available-for-sale investment securities are recorded in the unrealized gain (loss) on marketable securities in accumulated other comprehensive income. Other foreign currency transaction gains (losses) of $(1,046), $193 and $200 for the years ended November 30, 1999, 2000 and 2001, respectively, were included in other income.

(q) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(r) Net Income (Loss) Per Common Share

Basic earnings (loss) per common share is based upon the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per common share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock. Dilutive net loss per common share for fiscal 2001 is the same as basic net loss per common share due to the anti-dilutive effect of the assumed conversion of preferred shares and exercise of stock options.

(s) Supplementary Financial Statement Information

Interest income of approximately $943, $1,616 and $670 for the years ended November 30, 1999, 2000 and 2001 respectively, is included in other, net, in the accompanying consolidated statements of operations.

(t) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including the allowance for doubtful accounts, inventory valuation and co-operative advertising, market development funds and volume incentive rebates and disclosure of the contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(u) Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of

The Company accounts for its long-lived assets in accordance with the provisions of SFAS No.121. Statement 121 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to the future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment of Long-Lived Assets" (Statement 144), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement supersedes Statement 121 while retaining the fundamental recognition and measurement provisions of that statement. Statement 144 requires that a long-lived asset to be abandoned, exchanged for a similar productive asset or distributed to owners in a spin-off to be considered held and used until it is disposed of. However, Statement 144 requires that management consider revising the depreciable life of such long-lived asset. With respect to long-lived assets to be disposed of by sale, Statement 144 retains the provisions of Statement 121 and, therefore, requires that discontinued operations no longer be measured on a net realizable value basis and that future operating losses associated with such discontinued operations no longer be recognized before they occur. Statement 144 is effective for all fiscal quarters of fiscal years beginning after December 15, 2001, and will thus be adopted by the Company on December 1, 2002. The Company has not determined the effect, if any, that the adoption of Statement 144 will have on the Company's consolidated financial statements.

(v) Accounting for Stock-Based Compensation

The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, in accounting for its stock-based compensation plans (APB No. 25).

(w) Reporting Comprehensive Income

Effective December 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (Statement 130). Statement 130 requires that all items recognized under accounting standards as components of comprehensive income be reported in an annual financial statement that is displayed with the same prominence as other annual financial statements. Other comprehensive income may include foreign currency translation adjustments, minimum pension liability adjustments and unrealized gains and losses on investment securities classified as available-for-sale.

(x) Reclassifications

Certain reclassifications have been made to the 1999 and 2000 consolidated financial statements in order to conform to the 2001 presentation.

In fiscal 2001, the Company adopted the provisions of Emerging Issue Task Force (EITF) Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs," which requires the Company to report all amounts billed to a customer related to shipping and handling as revenue. The Company includes all costs incurred for shipping and handling as cost of sales. The Company has reclassified such billed amounts, which were previously netted in cost of sales to net sales. As a result of this reclassification, net sales and cost of goods sold were increased by $1,996, $2,162 and $1,548 for years ended November 30, 1999, 2000 and 2001, respectively.

(2) Issuance of Subsidiary Shares

On March 31, 1999, Toshiba Corporation, a major supplier, purchased 5% of the Company's subsidiary, Audiovox Communications Corp. (ACC), a supplier of wireless products for $5,000 in cash. The Company currently owns 95% of ACC; prior to the transaction ACC was a wholly-owned subsidiary. As a result of the issuance of ACC's shares, the Company recognized a gain of $3,800 in 1999 ($2,204 after provision for deferred taxes). The gain on the issuance of the subsidiary's shares have been recognized in the consolidated statements of operations in accordance with the Company's policy on the recognition of such transactions.

In February 2000 and 2001, the Board of Directors of Audiovox Communications Corp. (ACC), declared a dividend payable to its shareholders, Audiovox Corporation, a 95% shareholder, and Toshiba Corporation (Toshiba), a 5% shareholder. ACC paid Toshiba its share of the dividend, which approximated $859 and $1,034 in 2000 and 2001, for the years ended November 30, 1999 and 2000, respectively.

(3) Supplemental Cash Flow Information

The following is supplemental information relating to the consolidated statements of cash flows:

	For the Years Ended November 30,		
	1999	2000	**2001**
Cash paid during the years for:			
Interest, excluding bank charges	$ 2,994	$ 4,870	**$3,883**
Income taxes	$12,039	$21,069	**$3,550**

Non-Cash Transactions:

During 1999 and 2000, the Company exercised its option to convert 2,282,788 and 800,000 Japanese yen (approximately $24,026 and $7,595) of Shintom Co. Ltd. (Shintom) convertible debentures (Shintom debentures) into approximately 48,100,000 and 33,900,000 shares of Shintom common stock, respectively (Note 13).

During the years ended November 30, 1999, 2000 and 2001, the Company recorded an unrealized holding gain (loss) relating to available-for-sale marketable equity securities, net of deferred income taxes, of $5,775, $(10,119) and $(831), respectively, as a separate component of accumulated other comprehensive income (loss) (Note 17).

During 1999 and 2000, $1,249 and $535 of its $65,000 6¼% subordinated debentures were converted into 70,565 and 30,170 shares, respectively, of Class A common stock (Note 13).

During 2001, 314,800 warrants were exercised and converted into 314,800 shares of common stock (Note 16(d)).

(4) Transactions With Major Suppliers

(a) Sale/Leaseback Transaction

In April 2000, AX Japan purchased land and a building (the Property) from Shintom Co., Ltd. (Shintom) for 770,000,000 Yen (approximately $7,300) and entered into a leaseback agreement whereby Shintom leased the Property from AX Japan for a one-year period. This lease is being accounted for as an operating lease by AX Japan. Shintom is a stockholder who owns all of the outstanding preferred stock of the Company and is a manufacturer of products purchased by the Company through its previously-owned equity investee, TALK Corporation (TALK). The Company currently holds stock in Shintom and has previously invested in Shintom convertible debentures (Note 7).

The purchase of the Property by AX Japan was financed with a 500,000,000 Yen ($4,671) subordinated loan obtained from Vitec Co., Ltd. (Vitec), a 150,000,000 Yen loan ($1,397) from Pearl First (Pearl) and a 140,000,000 Yen loan ($1,291) from the Company. The land and building have been included in property, plant and equipment, and the loans have been recorded as notes payable on the accompanying consolidated balance sheet as of November 30, 2001. Vitec is a major supplier to Shintom, and Pearl is an affiliate of Vitec. The loans bear interest at 5% per annum, and principle is payable in equal monthly installments over a six-month period beginning six months subsequent to the date of the loans. The loans from Vitec and Pearl are subordinated completely to the loan from the Company, and, in liquidation, the Company receives payment first.

Upon the expiration of six months after the transfer of the title to the Property to AX Japan, Shintom had the option to repurchase the Property or purchase all of the shares of stock of AX Japan. This option could be extended for one additional six-month period. The option to repurchase the building is at a price of 770,000,000 Yen plus the equity capital of AX Japan (which in no event can be less than 60,000,000 Yen) and can only be made if Shintom settles any rent due AX Japan pursuant to the lease agreement. The option to purchase the shares of stock of AX Japan is at a price not less than the aggregate par value of the shares and, subsequent to the purchase of the shares, AX Japan must repay the outstanding loan due to the Company. If Shintom does not exercise its option to repurchase the Property or the shares of AX Japan, or upon occurrence of certain events, AX Japan can dispose of the Property as it deems appropriate. The events which result in the ability of AX Japan to be able to dispose of the Property include Shintom petitioning for bankruptcy, failing to honor a check, failing to pay rent, etc. If Shintom fails, or at any time becomes financially or otherwise unable to exercise its option to repurchase the Property, Vitec has the option to repurchase the Property or purchase all of the shares of stock of AX Japan under similar terms as the Shintom options.

AX Japan had the option to delay the repayment of the loans for an additional six months if Shintom extended its options to repurchase the Property or stock of AX Japan. In September 2000, Shintom extended its option to repurchase the Property and AX Japan delayed its repayment of the loans for an additional six months.

In March 2001, upon the expiration of the additional six-month period, the Company and Shintom agreed to extend the lease for an additional one-year period. In addition, Shintom was again given the option to purchase the Property or shares of stock of AX Japan after the expiration of a six-month period or extend the option for one additional six-month period. AX Japan was also given the option to delay the repayment of the loans for an additional six months if Shintom extended its option for an additional six months.

In connection with this transaction, the Company received 100,000,000 Yen ($922) from Shintom for its 2,000 shares of TALK stock. The Company had the option to repurchase the shares of TALK at a purchase price of 50,000 Yen per share, with no expiration date. Given the option to repurchase the shares of TALK, the Company did not surrender control over the shares of TALK and, accordingly, had not accounted for this transaction as a sale. In August 2000, the Company surrendered its option to repurchase the shares of TALK. As such, the Company recorded a gain on the sale of shares in the amount of $427 in August 2000.

(b) Inventory Purchases—Shintom and TALK

The Company engages in transactions with Shintom and TALK. TALK, which holds world-wide distribution rights for product manufactured by Shintom, has given the Company exclusive distribution rights on all wireless personal communication products for all countries except Japan, China, Thailand and several mid-eastern countries. Through October 2000, the Company held a 30.8% interest in TALK (Note 13). The Company no longer holds an equity interest in TALK.

Transactions with Shintom and TALK include financing arrangements and inventory purchases which approximated 11%, 7% and 1.5% for the years ended November 30, 1999, 2000 and 2001, respectively, of total inventory purchases. At November 30, 1999, 2000 and 2001, the Company had recorded $20, $1 and $331, respectively, of liability due to TALK for inventory purchases included in accounts payable. The Company also had documentary acceptance obligations payable to TALK as of November 30, 1999 (Note 11(b)). There were no documentary acceptance obligations payable to TALK as of November 30, 2000 and 2001. At November 30, 1999, 2000 and 2001, the Company had recorded a receivable from TALK in the amount of $3,741, $3,823 and $265, respectively, a portion of which is payable with interest (Note 6), which is reflected in receivable from vendors on the accompanying consolidated financial statements.

(c) Inventory Purchases—Other

Inventory purchases from two major suppliers approximated 56%, 72% and 75% of total inventory purchases for the years ended November 30, 1999, 2000 and 2001, respectively. Although there are a limited number of manufacturers of its products, management believes that other suppliers could provide similar products on comparable terms. A change in suppliers, however, could cause a delay in product availability and a possible loss of sales, which would affect operating results adversely.

(5) Accounts Receivable

Accounts receivable is comprised of the following:

	November 30, 2000	November 30, **2001**
Trade accounts receivable and other	$303,864	**$245,408**
Less:		
Allowance for doubtful accounts	6,921	**5,616**
Allowance for cellular deactivations	1,254	**2,035**
Allowance for co-operative advertising, cash discounts and market development funds	16,287	**10,548**
	$279,402	**$227,209**

(6) Receivable from Vendors

The Company recorded receivable from vendors in the amount of $5,566 and $6,919 as of November 30, 2000 and 2001, respectively. Receivable from vendor represents prepayments on product shipments, defective product reimbursements and interest receivable at a rate of 7.87% and 4.03% at November 30, 2000 and 2001, respectively, on amounts due from TALK (Note 9) and $4,550 at November 30, 2001 for reimbursements for costs incurred by the Company for upgrades that were performed by the Company in 2001 on certain models which Toshiba manufactured.

(7) Investment Securities

As of November 30, 2000, the Company's investment securities consists of $3,273 of available-for-sale marketable securities which consist primarily of 1,530,000 shares of CellStar Common Stock and 1,904,000 shares of Shintom common stock and trading securities of $2,211 which consists of mutual funds that are held in connection with the deferred compensation plan (Note 16(f)). As of November 30, 2001, the Company's investment securities consist of $1,933 of available-for-sale marketable securities, which consist primarily of 1,530,000 shares of CellStar Common Stock and 1,904,000 shares of Shintom common stock, and trading securities of $3,844, which consist of mutual funds that are held in connection with the deferred compensation plan. The cost, gross unrealized gains and losses and aggregate fair value of the investment securities available-for-sale as of November 30, 2000 and 2001 were as follows:

	2000			**2001**		
	Cost	Gross Unrealized Holding Gain (Loss)	Aggregate Fair Value	**Cost**	**Gross Unrealized Holding Gain (Loss)**	**Aggregate Fair Value**
CellStar Common Stock	$2,401	$133	$2,534	**$2,401**	**$(1,055)**	**$1,346**
Shintom Common Stock	1,179	(440)	739	**1,179**	**(592)**	**587**
	$3,580	$(307)	$3,273	**$3,580**	**$(1,647)**	**$1,933**

Related deferred tax assets of $116 and $626 were as recorded at November 30, 2000 and 2001, respectively, as a reduction to the unrealized holding loss included in accumulated other comprehensive loss.

During 1998, the Company purchased 400,000 Japanese yen (approximately $3,132) of Shintom debentures and exercised its option to convert the Shintom debentures into shares of Shintom common stock. During the fourth quarter of 1999, the Company recorded an other-than-temporary decline in market value of its Shintom common stock in the amount of $1,953 and a related deferred tax benefit of $761. The write-down has been recorded as a component of other expense in the consolidated statements of operations.

During 1999, the Company purchased 3,100,000 Japanese yen (approximately $27,467) of Shintom debentures and exercised its option to convert 2,882,788 Japanese yen of Shintom debentures into shares of Shintom common stock. The Company sold the Shintom common stock yielding net proceeds of $27,916 and a gain of $3,501.

During 2000, the Company exercised its option to convert 800,000 Japanese yen of Shintom debentures into shares of Shintom common stock. The Company sold the Shintom common stock, yielding net proceeds of $12,376 and a gain of $1,850.

During 2000, the Company sold 200,000 shares of its CellStar common stock yielding net proceeds of $851 and a gain of $537.

During 2000 and 2001, the net unrealized holding loss on trading securities that has been included in earnings is $370 and $779, respectively.

(8) Property, Plant and Equipment

A summary of property, plant and equipment, net, is as follows:

	November 30, 2000	November 30, **2001**
Land	$ 4,959	**$ 4,493**
Buildings	4,564	**4,168**
Property under capital lease	7,141	**7,246**
Furniture, fixtures and displays	1,909	**2,129**
Machinery and equipment	5,866	**6,590**
Computer hardware and software	12,023	**13,108**
Automobiles	588	**658**
Leasehold improvements	3,793	**4,117**
	40,843	**42,509**
Less accumulated depreciation and amortization	(12,847)	**(16,822)**
	$ 27,996	**$ 25,687**

The amortization of the property under capital lease is included in depreciation and amortization expense.

Computer software includes approximately $3,133 and $2,396 of unamortized costs as of November 30, 2000 and 2001, respectively, related to the acquisition and installation of management information systems for internal use.

Depreciation and amortization of plant and equipment amounted to $2,875, $3,426 and $4,174 for the years ended November 30, 1999, 2000 and 2001, respectively. Included in accumulated depreciation and amortization is amortization of computer software costs of $1,051, $702 and $776 for the years ended November 30, 1999, 2000 and 2001, respectively. Included in accumulated depreciation and amortization is amortization of property under capital lease of $240 for each of the years ended November 30, 1999, 2000 and 2001, respectively.

The Company acts as a lessor in an operating lease for land and a building with a cost of $6,687 and accumulated depreciation of $146 (Note 19).

(9) Equity Investments

As of November 30, 2001, the Company's 72%-owned subsidiary, Audiovox Communications Sdn. Bhd., had a 29% ownership interest in Avx Posse (Malaysia) Sdn. Bhd. (Posse) which monitors car security commands through a satellite based system in Malaysia. In addition, the Company had a 20% ownership interest in Bliss-tel which distributes cellular telephones and accessories in Thailand, and the Company had 50% non-controlling ownership interests in three other entities: Protector Corporation (Protector) which acts as a distributor of chemical protection treatments; ASA which acts as a distributor to specialized markets for RV's and van conversions, of televisions and other automotive sound, security and accessory products; and G.L.M. Wireless Communications, Inc. (G.L.M.) which is in the cellular telephone, pager and communications business in the New York metropolitan area.

During 2000, the Company entered into an agreement to cease the operations of its 50%-owned investment in Audiovox Pacific Pty., Limited, which was a former distributor of cellular telephones and automotive sound and security products in Australia and New Zealand. Also during fiscal 2000, the Company entered into an agreement to transfer to the other equity partner its 50% ownership equity in Quintex West, which is in the cellular telephone and related communication products business, as well as the automotive after-market products business. No consideration was given or no gain or loss was recorded in connection with either of the above transactions as both equity investments had been previously written down, and the Company had no on-going obligations to the entities or the other equity partner.

The Company previously held a 30.8% investment in TALK which was disposed of during fiscal 2000 (Notes 4(b) and 13).

The Company's net sales to the equity investees amounted to $4,605, $3,233 and $2,656 for the years ended November 30, 1999, 2000 and 2001, respectively. The Company's purchases from the equity investees amounted to $146,803, $119,444 and $5,592 for the years ended November 30, 1999, 2000 and 2001, respectively. The Company recorded $1,735, $1,432 and $746 of outside representative commission expenses for activations and residuals generated by G.L.M. on the Company's behalf during fiscal year 1999, 2000 and 2001, respectively.

Included in accounts receivable at November 30, 2000 and 2001 are trade receivables due from its equity investments aggregating $861 and $561, respectively. Receivable from vendor includes $3,823 and $265 due from TALK as of November 30, 2000 and 2001, respectively, which represents prepayments on product shipments and interest payable in monthly installments. At November 30, 2000 and 2001, included in accounts payable and other accrued expenses were obligations to equity investments aggregating $30 and $13, respectively. There were no documentary acceptance obligations outstanding to TALK at November 30, 2000 and 2001.

For the years ended November 30, 1999, 2000 and 2001, interest income earned on equity investment notes and other receivables approximated $482, $602 and $157, respectively. Interest expense on documentary acceptances payable to TALK approximated $228 and $11 in 1999 and 2000, respectively.

(10) Unearned Revenue

As of November 30, 2000 and 2001, included in accrued expenses and other current liabilities on the accompanying consolidated balance sheet, is $27,150 and $8,314, respectively, of which represents prepayments for future product shipments. The Company will recognize the revenue as product shipments are made.

(11) Financing Arrangements

(a) Bank Obligations

The Company maintains a revolving credit agreement with various financial institutions which expires July 27, 2004. As a result, bank obligations under the credit agreement have been classified as long-term at November 30, 2000 and 2001. The credit agreement provides for $250,000 of available credit, including $15,000 for foreign currency borrowings.

Under the credit agreement, the Company may obtain credit through direct borrowings and letters of credit. The obligations of the Company under the credit agreement are guaranteed by certain of the Company's subsidiaries and is secured by accounts receivable, inventory and the Company's shares of ACC. As of November 30, 2001, availability of credit under the credit agreement is a maximum aggregate amount of $250,000, subject to certain conditions, based upon a formula taking into account the amount and quality of its accounts receivable and inventory. At November 30, 2001, the amount of unused available credit is $78,551. The credit agreement also allows for commitments of $50,000 in forward exchange contracts (Note 20(a)(1)).

Outstanding obligations under the credit agreement at November 30, 2000 and 2001 were as follows:

	November 30,	
	2000	**2001**
Revolving Credit Notes	—	**$13,525**
Eurodollar Notes	$15,000	**73,000**
	$15,000	**$86,525**

Interest rates are as follows: revolving credit notes at .50% above the prime rate, which was approximately 8.5%, 9.5% and 5.5% at

November 30, 1999, 2000 and 2001, respectively, and Eurodollar Notes at 1.50% above the LIBOR rate which was approximately 6.48%, 6.8% and 3.38% at November 30, 1999, 2000 and 2001, respectively. The Company pays a commitment fee on the unused portion of the line of credit.

The credit agreement contains several covenants requiring, among other things, minimum levels of pre-tax income and minimum levels of net worth. Additionally, the agreement includes restrictions and limitations on payments of dividends, stock repurchases and capital expenditures. At May 31, 2001 and the first quarter ended February 28, 2002, the Company was not in compliance with certain of its pre-tax income covenants. The Company received waivers for the May 31, 2001 and February 28, 2002 violations and has not received a waiver for the November 30, 2001 violation related to pre-tax income. Accordingly, the bank obligations of $86,525 have been classified as a current liability on the accompanying consolidated balance sheet. Management is in the process of obtaining a waiver for the violation. Subsequent to November 30, 2001, the Company repaid $79,800 of its $86,525 obligation at November 30, 2001, resulting in bank obligations outstanding at March 15, 2002 of $6,725.

The Company also has revolving credit facilities in Malaysia (Malaysian Credit Agreement) to finance additional working capital needs. As of November 30, 2001, the available line of credit for direct borrowing, letters of credit, bankers' acceptances and other forms of credit approximated $5,242. The credit facilities are partially secured by three standby letters of credit of $1,300, $800 and $1,400 and are payable upon demand or upon expiration of the standby letters of credit on January 15, 2002, August 31, 2002 and August 31, 2002, respectively. The Company renewed the January 15, 2002 letter of credit. The obligations of the Company under the Malaysian Credit Agreement are also secured by the property and building owned by Audiovox Communications Sdn. Bhd. Outstanding obligations under the Malaysian Credit Agreement at November 30, 2000 and 2001 were approximately $4,693 and $3,514, respectively. At November 30, 1999, interest on the credit facility ranged from 7.4% to 9.6%. At November 30, 2000 interest on the credit facility ranged from 7.25% to 7.50%. At November 30, 2001, interest on the credit facility ranged from 6.5% to 7.0%.

As of November 30, 2000 and 2001, Audiovox Venezuela had notes payable of approximately 2,354,600 and 1,622,834 Venezuelan Bolivars ($3,411 and $2,074 at November 30, 2000 and 2001) outstanding to a bank. Interest on the notes payable is 10.7%. The notes are scheduled to be repaid within one year and, as such, are classified as short term. The notes payable are secured by a standby letter of credit in the amount of $3,500 by the Company and is payable upon demand or upon expiration of the standby letter of credit on May 31, 2002.

The Company also has a revolving credit facility in Brazil to finance additional working capital needs. The Brazilian credit facility is secured by the Company under a standby letter of credit in the amount of $100, which expires on October 1, 2002 and is payable on demand or upon expiration of the standby letter of credit. At November 30, 2001, outstanding obligations under the credit facility were $254 Brazilian Bolivars ($100), and interest on the credit facility ranged from 24% to 27%.

At November 30, 2001, the Company had outstanding standby letters aggregating credit of $604 which expires on various dates from May 10, 2002 to July 31, 2002.

The maximum month-end amounts outstanding under the credit agreement and Malaysian Credit Agreement borrowing facilities during the years ended November 30, 1999, 2000 and 2001 were $110,595, $156,854 and $94,291, respectively. Average borrowings during the years ended November 30, 1999, 2000 and 2001 were $29,835, $52,010 and $49,692, respectively, and the weighted average interest rates were 9.6%, 8.9% and 8.2%, respectively.

(b) Documentary Acceptances

The Company had various unsecured documentary acceptance lines of credit available with suppliers to finance inventory purchases. The Company does not have written agreements specifying the terms and amounts available under the lines of credit. There were no documentary acceptances outstanding at November 30, 2000 or 2001.

The maximum month-end documentary acceptances outstanding during the year ended November 30, 2000 was $997. Average borrowings during the year ended November 30, 2000 was $164, and the weighted average interest rate, including fees, was 6.6%. There were no documentary acceptances outstanding during the year ended November 30, 2001.

(12) Notes Payable

A summary of notes payable follows:

	November 30,	
	2000	**2001**
Note payable due to Vitec (Note 4(a))	$4,514	**$4,051**
Note payable due to Pearl (Note 4(a))	1,354	**1,216**
	$5,868	**$5,267**

The notes bear interest at 5% and are payable in equal monthly installments over a six-month period beginning in October 2000. As a result of the extension of Shintom's option to repurchase the Property or purchase all of the shares of stock of AX Japan (Note 4), the commencement of repayment was delayed to April 2001 and again to March 2002. Accordingly, the notes payable have been classified as current in the accompanying consolidated balance sheet.

(13) Long-Term Debt

On March 15, 1994, the Company completed the sale of $65,000, 6¼% subordinated debentures due 2001 and entered into an indenture agreement. The subordinated debentures were convertible into shares of the Company's Class A common stock, par value $.01 per share at an initial conversion price of $17.70 per share, subject to adjustment under certain circumstances. The indenture agreement contained various covenants. The bonds were subject to redemption by the Company in whole, or in part, at any time after March 15, 1997, at certain specified amounts. On May 9, 1995, the Company issued warrants to certain beneficial holders of these subordinated debentures (Note 16(d)).

During fiscal 2000, holders of the Company's $65,000 subordinated convertible debentures exercised their option to convert $534 debentures for 30,170 shares of the Company's Class A common stock. As a result of this conversion and the conversions that took place prior to 2000, the remaining subordinated debentures of $486 was included as current installments of long-term debt at November 30, 2000. During 2001, the Company paid $486 to the remaining holders of the Company's subordinated convertible debentures as such there is no convertible debentures outstanding at November 30, 2001.

On October 20, 1994, the Company issued a note payable for 500,000 Japanese yen to finance its investment in TALK (Note 9). The note was scheduled to be repaid on October 20, 2004 and bore interest at 4.1%. The note could be repaid by cash payment or by giving 10,000 shares of its TALK investment to the lender. The lender had an option to acquire 2,000 shares of TALK held by the Company in exchange for releasing the Company from 20% of the face value of the note at any time after October 20, 1995. In October 2000, the Company exercised its option to repay the note by returning the 10,000 shares of its TALK investment to the lender. In connection with the transaction, the Company recognized an extraordinary gain in the amount of $2,189 representing the difference between the loan, which approximated $4,578, and the Company's recorded investment in TALK, which approximated $2,389, at the time of the transaction.

(14) Income Taxes

The components of income (loss) before the provision for (recovery of) income taxes are as follows:

	November 30,		
	1999	2000	**2001**
Domestic Operations	$42,668	$37,119	**$(10,329)**
Foreign Operations	55	2,846	**183**
	$42,723	$39,965	**$(10,146)**

Total income tax expense (benefit) was allocated as follows:

	November 30,		
	1999	2000	**2001**
Statement of operations	$15,477	$14,925	**$ (3,937)**
Stockholders' equity:			
Unrealized holding gain (loss) on investment securities recognized for financial reporting purposes	3,540	(6,202)	**(509)**
Unrealized holding gain (loss) on equity collar recognized for financial reporting purposes	—	570	**—**
Income tax benefit of employee stock option exercises	(1,101)	(1,270)	**—**
Total income tax expense (benefit)	$17,916	$ 8,023	**$ (4,446)**

The provision for (recovery of) income taxes is comprised of:

	Federal	Foreign	State	Total
1999:				
Current	$14,565	$(116)	$ 1,593	$16,042
Deferred	(118)	(431)	(16)	(565)
	$14,447	$(547)	$ 1,577	$15,477
2000:				
Current	$18,471	$ 656	$ 1,832	$20,959
Deferred	(4,481)	(704)	(849)	(6,034)
	$13,990	$ (48)	$ 983	$14,925
2001:				
Current	**$ (1,995)**	**$ 359**	**$ 1,063**	**$ (573)**
Deferred	**(2,435)**	**153**	**(1,082)**	**(3,364)**
	$ (4,430)	**$ 512**	**$ (19)**	**$ (3,937)**

A reconciliation of the provision for income taxes computed at the Federal statutory rate to the reported provision for income taxes is as follows:

	November 30,					
	1999		2000		**2001**	
Tax provision at Federal statutory rates	$14,953	35.0%	$13,988	35.0%	**$(4,251)**	**(35.0)%**
Undistributed income (losses) from equity investments	(373)	(0.9)	—	—	**—**	**—**
State income taxes, net of Federal benefit	1,025	2.4	639	1.6	**(12)**	**(0.1)**
Decrease in beginning-of-the-year balance of the valuation allowance for deferred tax assets	(989)	(2.3)	(1,041)	(2.6)	**(227)**	**(1.9)**
Foreign tax rate differential	38	0.1	(59)	(0.1)	**448**	**3.7**
Other, net	823	1.9	1,398	3.4	**105**	**1.0**
	$15,477	36.2%	$14,925	37.3%	**$(3,937)**	**(32.4)%**

The significant components of deferred income tax recovery for the years ended November 30, 2000 and 2001 are as follows:

	November 30, 2000	November 30, 2001
Deferred tax recovery (exclusive of the effect of other components listed below)	$ (4,993)	**$ (3,137)**
Decrease in beginning-of-the-year balance of the valuation allowance for deferred tax assets	(1,041)	**(227)**
	$ (6,034)	**$ (3,364)**

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred liabilities are presented below:

	November 30, 2000	November 30, 2001
Deferred tax assets:		
Accounts receivable, principally due to allowance for doubtful accounts and cellular deactivations	$ 2,290	**$ 1,971**
Inventory, principally due to additional costs capitalized for tax purposes pursuant to the Tax Reform Act of 1986	687	**1,075**
Inventory, principally due to valuation reserve	4,276	**5,421**
Accrual for future warranty costs	2,684	**3,241**
Plant, equipment and certain intangibles, principally due to depreciation and amortization	1,146	**1,442**
Net operating loss carryforwards, state and foreign	755	**870**
Contributions	—	**41**
Accrued liabilities not currently deductible and other	382	**705**
Investment securities	—	**463**
Deferred compensation plans	862	**1,492**
Total gross deferred tax assets	13,082	**16,721**
Less: valuation allowance	(343)	**(116)**
Net deferred tax assets	12,739	**16,605**
Deferred tax liabilities:		
Investment securities	(35)	**—**
Issuance of subsidiary shares	(1,432)	**(1,460)**
Total gross deferred tax liabilities	(1,467)	**(1,460)**
Net deferred tax asset	$11,272	**$15,145**

The net change in the total valuation allowance for the year ended November 30, 2001 was a decrease of $227. A valuation allowance is provided when it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. The Company has established valuation allowances primarily for net operating loss carryforwards in certain states and foreign countries as well as other deferred tax assets in foreign countries. Based on the Company's ability to carry back future reversals of deferred tax assets to taxes paid in current and prior years and the Company's historical taxable income record, adjusted for unusual items, management believes it is more likely than not that the Company will realize the benefit of the net deferred tax assets existing at November 30, 2001. Further, management believes the existing net deductible temporary differences will reverse during periods in which the Company generates net taxable income. There can be no assurance, however, that the Company will generate any earnings or any specific level of continuing earnings in the future. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

At November 30, 2001, the Company had net operating loss carryforwards for state income tax purposes of approximately $16,064, which are available to offset future state taxable income, if any, which will expire through the year ended November 30, 2021.

(15) Capital Structure

The Company's capital structure is as follows:

Security	Par Value	Shares Authorized November 30, 2000	Shares Authorized November 30, 2001	Shares Outstanding November 30, 2000	Shares Outstanding November 30, 2001	Voting Rights Per Share	Liquidation Rights
Preferred Stock	$50.00	50,000	**50,000**	50,000	**50,000**	—	$50 per share
Series Preferred Stock	0.01	1,500,000	**1,500,000**	—	**—**	—	—
Class A Common Stock	0.01	60,000,000	**60,000,000**	19,478,554	**19,706,309**	One	Ratably with Class B
Class B Common Stock	0.01	10,000,000	**10,000,000**	2,260,954	**2,260,954**	Ten	Ratably with Class A

The holders of Class A and Class B common stock are entitled to receive cash or property dividends declared by the Board of Directors. The Board can declare cash dividends for Class A common stock in amounts equal to or greater than the cash dividends for Class B common stock. Dividends other than cash must be declared equally for both classes. Each share of Class B common stock may, at any time, be converted into one share of Class A common stock.

The 50,000 shares of non-cumulative Preferred Stock outstanding are owned by Shintom and have preference over both classes of common stock in the event of liquidation or dissolution.

The Company's Board of Directors approved the repurchase of 1,563,000 shares of the Company's Class A common stock in the open market under a share repurchase program (the Program). As of November 30, 2000 and 2001, 762,492 and 909,537 shares, respectively, were repurchased under the Program at an average price of $10.80 and $10.05 per share, respectively, for an aggregate amount of $6,004 and $7,386, respectively.

As of November 30, 2000 and 2001, 2,926,653 and 2,916,653 shares of the Company's Class A common stock are reserved for issuance under the Company's Stock Option and Restricted Stock Plans and 372,258 for all convertible securities and warrants outstanding at November 30, 2000. There were no convertible securities or warrants outstanding at November 30, 2001 (Notes 13 and 16).

In February 2000, the Company sold, pursuant to an underwritten public offering, 2,300,000 shares of its Class A common stock at a price of $45.00 per share. The Company received $96,573 in net proceeds after deducting underwriting commission and offering expenses. The net proceeds from the offering were used to repay a portion of amounts outstanding under the revolving credit facility.

On April 6, 2000, the stockholders approved a proposal to amend the Company's Certificate of Incorporation to increase the number of authorized shares of Class A common stock, par value $.01, from 30,000,000 to 60,000,000.

Undistributed earnings from equity investments included in retained earnings amounted to $4,869 and $3,742 at November 30, 2000 and 2001, respectively.

(16) Stock-Based Compensation and Stock Warrants

(a) Stock Options

The Company has stock option plans under which employees and non-employee directors may be granted incentive stock options (ISO's) and non-qualified stock options (NQSO's) to purchase shares of Class A common stock. Under the plans, the exercise price of the ISO's will not be less than the market value of the Company's Class A common stock or greater than 110% of the market value of the Company's Class A common stock on the date of grant. The exercise price of the NQSO's may not be less than 50% of the market value of the Company's Class A common stock on the date of grant. The options must be exercisable no later than ten years after the date of grant. The vesting requirements are determined by the Board of Directors at the time of grant.

Compensation expense is recorded with respect to the options based upon the quoted market value of the shares and the exercise provisions at the date of grant. The Company recorded $31 in compensation expense for the year ended November 30, 1999. No compensation expense was recorded for the years ended November 30, 2000 and 2001.

Information regarding the Company's stock options is summarized below:

	Number of Shares	Weighted Average Exercise Price
Outstanding at November 30, 1998	1,693,750	$ 7.33
Granted	1,542,500	14.98
Exercised	(364,550)	7.64
Canceled	(500)	13.00
Outstanding at November 30, 1999	2,871,200	11.41
Granted	—	—
Exercised	(121,300)	6.84
Canceled	—	—
Outstanding at November 30, 2000	2,749,900	11.61
Granted	—	—
Exercised	(10,000)	7.69
Canceled	—	—
Outstanding at November 30, 2001	**2,739,900**	**$11.62**
Options exercisable at November 30, 2001	**2,153,900**	**$10.68**

At November 30, 2000 and 2001, 206,753 shares were available for future grants under the terms of these plans.

The per share weighted average fair value of stock options granted during 1999 was $9.83 on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: risk free interest rate of 5.9%, expected dividend yield of 0.0%, expected stock volatility of 60% and an expected option life of 10 years. There were no options granted during 2000 and 2001.

The Company applies APB No. 25 in accounting for its stock option grants and, accordingly, no compensation cost has been recognized in the financial statements for its stock options which have an exercise price equal to or greater than the fair value of the stock on the date of the grant. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under

Statement 123, the Company's net income (loss) and net income (loss) per common share would have been reduced to the pro-forma amounts indicated below:

	1999	2000	**2001**
Net income (loss):			
As reported	$27,246	$27,229	**$ (8,209)**
Pro-forma	25,494	22,795	**(10,496)**
Net income (loss) per common share (basic):			
As reported	$ 1.43	$ 1.27	**$ (0.38)**
Pro-forma	1.33	1.07	**(0.48)**
Net income (loss) per common share (diluted):			
As reported	$ 1.39	$ 1.21	**$ (0.38)**
Pro-forma	1.30	1.01	**(0.48)**

Pro-forma net income (loss) reflect only options granted after November 30, 1995. Therefore, the full impact of calculating compensation cost for stock options under Statement 123 is not reflected in the pro-forma net income (loss) amounts presented above because compensation cost is reflected over the options' vesting period and compensation cost for options granted prior to December 1, 1995 was not considered. Therefore, the pro-forma net income (loss) may not be representative of the effects on reported net income (loss) for future years.

Summarized information about stock options outstanding as of November 30, 2001 is as follows:

	Outstanding			Exercisable	
Exercise Price Range	Number of Shares	Weighted Average Exercise Price of Shares	Weighted Average Life Remaining in Years	Number of Shares	Weighted Average Price of Shares
$ 4.63–$ 8.00	1,140,700	$ 7.21	5.21	1,140,700	$ 7.21
$ 8.01–$13.00	109,200	$11.63	3.33	109,200	$11.63
$13.01–$15.00	1,490,000	$15.00	7.78	894,000	$15.00

(b) Restricted Stock Plan

The Company has restricted stock plans under which key employees and directors may be awarded restricted stock. Total restricted stock outstanding, granted under these plans, at November 30, 1999 was 13,750. There were no restricted stock outstanding at November 30, 2000. Awards under the restricted stock plan may be performance-accelerated shares or performance-restricted shares. During fiscal 1999, 32,222 performance-accelerated shares and 12,103 performance-restricted shares were granted. During fiscal 2000, 6,825 performance-accelerated shares and 4,846 performance-restricted shares were granted. During fiscal 2000, 1,979 performance-restricted shares lapsed. There were no performance-restricted accelerated shares or performance-restricted shares granted in 2001.

Compensation expense for the performance-accelerated shares is recorded based upon the quoted market value of the shares on the date of grant. Compensation expense for the performance-restricted shares is recorded based upon the quoted market value of the shares on the balance sheet date. Compensation expense (income) for these grants for the years ended November 30, 1999 and 2000 were $127 and $40, respectively.

(c) Employee Stock Purchase Plan

In April 2000, the stockholders approved the 2000 Employee Stock Purchase Plan. The stock purchase plan provides eligible employees an opportunity to purchase shares of the Company's Class A common stock through payroll deductions at a minimum of 2% and a maximum of 15% of base salary compensation. Amounts withheld are used to purchase Class A common stock on the open market. The cost to the employee for the shares is equal to 85% of the fair market value of the shares on or about the quarterly purchase date (December 31, March 31, June 30 or September 30). The Company bears the cost of the remaining 15% of the fair market value of the shares as well as any broker fees. This Plan provides for purchases of up to 1,000,000 shares.

(d) Stock Warrants

In December 1993, the Company granted warrants to purchase 50,000 shares of Class A Common Stock at a purchase price of $14.375 per share as part of the acquisition of H & H Eastern Distributors, Inc. During fiscal 1999, the warrants were surrendered for cancellation, and the holder agreed to waive registration rights in exchange for $5.

On May 9, 1995, the Company issued 1,668,875 warrants in a private placement, each convertible into one share of Class A common stock at $7⅛, subject to adjustment under certain circumstances. The warrants were issued to the beneficial holders as of June 3, 1994, of approximately $57,600 of the Company's subordinated debentures in exchange for a release of any claims such holders may have against the Company, its agents, directors and employees in connection with their investment in the subordinated debentures. As a result, the Company incurred a warrant expense in 1995 of $2,900 and recorded a corresponding increase to paid-in capital. The warrants are not exercisable after March 15, 2001, unless sooner terminated under certain circumstances. John J. Shalam, Chief Executive Officer of the Company, has granted the Company an option to purchase 1,668,875 shares of Class A common stock from his personal holdings. The exercise price of this option is $7⅛, plus the tax impact, if any, should the exercise of this option be treated as dividend income rather than capital gains to Mr. Shalam. During 1998, the Company purchased approximately 1,324,075 of these warrants at a price of $1.30 per warrant, pursuant to the terms of a self-tender offer. In connection with this purchase, the option to purchase 1,324,075 shares from John J. Shalam's personal holdings was canceled. During 2001, 314,800 warrants were exercised and converted into 314,800 shares of common stock. The remaining 30,000 warrants expired in 2001.

During fiscal 1997, the Company granted warrants to purchase 100,000 shares of Class A Common Stock, which have been reserved, at $6.75 per share. The warrants, which are exercisable in whole or in part at the discretion of the holder, expire on January 29, 2002. During the year ended November 30, 1999, all of the warrants were exercised.

(e) Profit Sharing Plans

The Company has established two non-contributory employee profit sharing plans for the benefit of its eligible employees in the United States and Canada. The plans are administered by trustees appointed by the Company. Accruals for contributions of $800, $1,000 and $300 were recorded by the Company for the United States plan in fiscal 1999, 2000 and 2001, respectively. Contributions required by law to be made for eligible employees in Canada were not material.

(f) Deferred Compensation Plan

Effective December 1, 1999, the Company adopted a Deferred Compensation Plan (the Plan) for a select group of management. The Plan is intended to provide certain executives with supplemental retirement benefits as well as to permit the deferral of more of their compensation than they are permitted to defer under the Profit Sharing and 401(k) Plan. The Plan provides for a matching contribution equal to 25% of the employee deferrals up to $20. The Plan is not intended to be a qualified plan under the provisions of the Internal Revenue Code. All compensation deferred under the Plan is held by the Company in an investment trust which is considered an asset of the Company. The investments, which amounted to $3,844 at November 30, 2001, have been classified as trading securities and are included in investment securities on the accompanying consolidated balance sheet as of November 30, 2001. The return on these underlying investments will determine the amount of earnings credited to the employees. The Company has the option of amending or terminating the Plan at any time. The deferred compensation liability is reflected as a long-term liability on the accompanying consolidated balance sheet as of November 30, 2001.

(17) Accumulated Other Comprehensive Income (Loss)

The change in net unrealized gain (loss) on marketable securities of $5,775, $(10,119) and $(831) for the years ended November 30, 1999, 2000 and 2001 is net of tax of $3,540, $(6,202) and $(509), respectively. Reclassification adjustments of $2,171 and $1,480 are included in the net unrealized gain (loss) on marketable securities for the years ended November 30, 1999 and 2000, respectively. There were no reclassification adjustments for the year ended November 30, 2001.

The currency translation adjustments are not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries and equity investments.

(18) Net Income (Loss) Per Common Share

A reconciliation between the numerators and denominators of the basic and diluted earnings (loss) per common share is as follows:

	For the Years Ended November 30,		
	1999	2000	**2001**
Net income (loss) (numerator for net income per common share, basic)	$ 27,246	$ 27,229	**$ (8,209)**
Interest on 6¼% convertible subordinated debentures, net of tax	84	28	**5**
Adjusted net income (loss) (numerator for net income per common share, diluted)	$ 27,330	$ 27,257	**$ (8,204)**
Weighted average common shares (denominator for net income (loss) per common share, basic)	19,100,047	21,393,566	**21,877,100**
Effect of dilutive securities:			
Employee stock options and stock warrants	430,560	1,129,896	**—**
Employee stock grants	62,175	—	**—**
Convertible debentures	110,551	42,344	**—**
Weighted average common and potential common shares outstanding (denominator for net income (loss) per common share, diluted)	19,703,333	22,565,806	**21,877,100**
Net income (loss) per common share before extraordinary item:			
Basic	$ 1.43	$ 1.17	**$ (0.38)**
Diluted	$ 1.39	$ 1.11	**$ (0.38)**
Net income (loss) per common share:			
Basic	$ 1.43	$ 1.27	**$ (0.38)**
Diluted	$ 1.39	$ 1.21	**$ (0.38)**

Employee stock options and stock warrants totaling 1,565,000 and 2,173,351 for the years ended November 30, 2000 and 2001, respectively, were not included in the net income (loss) per common share calculation because their effect would have been anti-dilutive. There were no anti-dilutive stock options and stock warrants for the years ended November 30, 1999.

Dilutive net loss per common share for fiscal 2001 is the same as basic net loss per common share due to the anti-dilutive effect of the assumed conversion of preferred shares and exercise of stock options.

(19) Lease Obligations

During 1998, the Company entered into a 30-year lease for a building with its principal stockholder and chief executive officer. A significant portion of the lease payments, as required under the lease agreement, consists of the debt service payments required to be made by the principal stockholder in connection with the financing of the construction of the building. For financial reporting purposes, the lease has been classified as a capital lease, and, accordingly, a building and the related obligation of approximately $6,340 was recorded (Note 8). The effective interest rate on the capital lease obligation is 8.0%.

In connection with the capital lease, the Company paid certain construction costs on behalf of its principal stockholder and chief executive officer in the amount of $1,301 which, at November 30, 1999, was included in prepaid and other current assets on the accompanying consolidated financial statements. During 2000 and 2001, $740 and $60 was repaid to the Company, respectively. At November 30, 2001, $100 has been included in prepaid and other current assets and $400 has been included in non-current other assets on the accompanying consolidated financial statements.

During 1998, the Company entered into a sale/lease back transaction with its principal stockholder and chief executive officer for $2,100 of equipment. No gain or loss on the transaction was recorded as the book value of the equipment equaled the fair market value. The lease is for five years with monthly rental payments of $34. The lease has been classified as an operating lease.

At November 30, 2001, the Company was obligated under non-cancelable capital and operating leases for equipment and warehouse facilities for minimum annual rental payments as follows:

	Capital Lease	Operating Leases
2002	$ 553	$2,045
2003	554	1,606
2004	553	800
2005	552	669
2006	560	177
Thereafter	11,986	—
Total minimum lease payments	14,758	$5,297
Less: amount representing interest	8,508	
Present value of net minimum lease payments	6,250	
Less: current installments included in accrued expenses and other current liabilities	54	
Long-term obligation	$ 6,196	

Rental expense for the above-mentioned operating lease agreements and other leases on a month-to-month basis approximated $2,552, $2,642 and $2,958 for the years ended November 30, 1999, 2000 and 2001, respectively.

Minimum future rentals on a one-year operating lease in which the Company acts as a lessor is approximately 21,245,000 yen ($197) for fiscal 2001 (Note 4(a)).

The Company leases certain facilities and equipment from its principal stockholder and several officers. Rentals for such leases are considered by management of the Company to approximate prevailing market rates. At November 30, 2001, minimum annual rental payments on these related party leases, in addition to the capital lease payments, which are included in the above table, are as follows:

2001	$1,221
2002	960
2003	307
2004	322
2005	109

(20) Financial Instruments

(a) Derivative Financial Instruments

(1) Forward Exchange Contracts

At November 30, 2000, the Company had a contract to exchange foreign currencies in the form of a forward exchange contract in the amount of $4,230. This contract matured on February 28, 2001. At November 30, 1999 and 2001, the Company had no contracts to exchange foreign currencies in the form of forward exchange contracts. For the years ended November 30, 1999, 2000 and 2001, gains and losses on foreign currency transactions which were not hedged were not material. For the years ended November 30, 1999, 2000 and 2001, there were no gains or losses as a result of terminating hedges prior to the transaction date.

(2) Equity Collar

The Company entered into an equity collar on September 26, 1997 to hedge some of the unrealized gains associated with its investment in CellStar (Note 7). The equity collar provided that on September 26, 1998, the Company can put 100,000 shares of CellStar to the counter party to the equity collar (the bank) at $38 per share in exchange for the bank being able to call the 100,000 shares of CellStar at $51 per share. The Company designated this equity collar as a hedge of 100,000 of its shares in CellStar being that it provided the Company with protection against the market value of CellStar shares falling below $38. Given the high correlation of the changes in the market value of the item being hedged to the item underlying the equity collar, the Company applied hedge accounting for this equity collar. The equity collar was recorded on the balance sheet at fair value with gains and losses on the equity collar reflected as a separate component of equity. During 1998, the Company sold its equity collar for $1,499. The transaction resulted in a net gain on hedge of available-for-sale securities of $929 which was reflected as a separate component of stockholders' equity. Also during 1998, the CellStar stock split two-for-one, resulting in the equity collar hedging 200,000 shares of CellStar stock. During 2000, the Company sold 200,000 shares of CellStar common stock and in connection with the sale of the shares, recognized $1,499 ($929 net of taxes) representing the net gain on the hedge of the available-for-sale securities (Note 1(h)(2)).

The Company is exposed to credit losses in the event of nonperformance by the counter parties to its forward exchange contracts. The Company anticipates, however, that counter parties will be able to fully satisfy their obligations under the contracts. The Company does not obtain collateral to support financial instruments, but monitors the credit standing of the counter parties.

(b) Off-Balance Sheet Risk

Commercial letters of credit are issued by the Company during the ordinary course of business through major domestic banks as requested by certain suppliers. The Company also issues standby letters of credit principally to secure certain bank obligations of Audiovox Communications Sdn. Bhd. and Audiovox Venezuela (Note 11(a)). The Company had open commercial letters of credit of approximately $65,820 and $37,635, of which $45,569 and $16,834 were accrued for purchases incurred as of November 30, 2000 and 2001, respectively. The terms of these letters of credit are all less than one year. No material loss is anticipated due to nonperformance by the counter parties to these agreements. The fair value of these open commercial and standby letters of credit is estimated to be the same as the contract values based on the nature of the fee arrangements with the issuing banks.

The Company is a party to joint and several guarantees on behalf of G.L.M. which aggregate $300. There is no market for these guarantees and they were issued without explicit cost. Therefore, it is not practicable to establish its fair value.

(c) Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of trade receivables. The Company's customers are located principally in the United States and Canada and consist of, among others, wireless carriers and service providers, distributors, agents, mass merchandisers, warehouse clubs and independent retailers.

At November 30, 2000 and 2001, one customer, a wireless carrier and service provider, accounted for approximately 47% and 28% of accounts receivable, respectively.

During the year ended November 30, 1999, three customers accounted for approximately 19.6%, 14.9% and 12.7%, respectively, of the Company's 1999 sales. During the year ended November 30, 2000, one customer accounted for approximately 50.5% of the Company's 2000 sales. During the year ended November 30, 2001, one customer accounted for approximately 35% of the Company's 2001 sales.

The Company generally grants credit based upon analyses of its customers' financial position and previously established buying and payment patterns. The Company establishes collateral rights in accounts receivable and inventory and obtains personal guarantees from certain customers based upon management's credit evaluation.

A portion of the Company's customer base may be susceptible to downturns in the retail economy, particularly in the consumer electronics industry. Additionally, customers specializing in certain automotive sound, security and accessory products may be impacted by fluctuations in automotive sales.

(d) Fair Value

The carrying value of all financial instruments classified as a current asset or liability is deemed to approximate fair value because of the short maturity of these instruments. The estimated fair value of the Company's financial instruments are as follows:

	November 30, 2000		**November 30, 2001**	
	Carrying Amount	Fair Value	**Carrying Amount**	**Fair Value**
Investment securities	$ 5,484	$ 5,484	**$ 5,777**	**$ 5,777**
Long-term obligations	$15,000	$15,000	**$86,525**	**$86,525**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Investment Securities

The carrying amount represents fair value, which is based upon quoted market prices and conversion features at the reporting date (Note 7).

Long-Term Obligations

The carrying amount of bank debt under the Company's revolving credit agreement approximates fair value because the interest rate on the bank debt is reset every quarter to reflect current market rates.

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(21) Segment Information

The Company has two reportable segments which are organized by products: Wireless and Electronics. The Wireless segment markets wireless handsets and accessories through domestic and international wireless carriers and their agents, independent distributors and retailers. The Electronics segment sells autosound, mobile electronics and consumer electronics, primarily to mass merchants, power retailers, specialty retailers, new car dealers, original equipment manufacturers (OEM), independent installers of automotive accessories and the U.S. military.

The Company evaluates performance of the segments based upon income before provision for income taxes. The accounting policies of the segments are the same as those described in the summary of significant accounting policies (Note 1). The Company allocates interest and certain shared expenses, including treasury, legal and human resources, to the segments based upon estimated usage. Intersegment sales are reflected at cost and have been eliminated in consolidation. A royalty fee on the intersegment sales, which is eliminated in consolidation, is recorded by the segments and included in other income (expense). Certain items are maintained at the Company's corporate headquarters (Corporate) and are not allocated to the segments. They primarily include costs associated with accounting and certain executive officer salaries and bonuses and certain items including investment securities, equity investments, deferred income taxes, certain portions of excess cost over fair value of assets acquired, jointly-used fixed assets and debt. The jointly-used fixed assets are the Company's management information systems, which is jointly used by the Wireless and Electronics segments and Corporate. A portion of the management information systems costs, including depreciation and amortization expense, are allocated to the segments based upon estimates made by management. Segment identifiable assets are those which are directly used in or identified to segment operations.

During the year ended November 30, 1999, three customers of the Wireless segment accounted for approximately 19.6%, 14.9% and 12.7% of the Company's 1999 sales. During the year ended November 30, 2000, one customer of the Wireless segment accounted for approximately 50.5% of the Company's 2000 sales. During the year ended November 30, 2001, one customer of the Wireless segment accounted for approximately 35% of the Company's 2001 sales. No customers in the Electronics segment exceeded 10% of consolidated sales in fiscal 1999, 2000 or 2001.

Effective December 1, 1999, a non-Quintex retail operation, previously reported in the Wireless segment, has been included in the Electronics segment.

	Wireless	Electronics	Corporate	Consolidated Totals
1999				
Net sales	$ 918,678	$242,855	$ —	$1,161,533
Intersegment sales (purchases), net	(1,149)	1,149	—	—
Interest income	64	80	794	938
Interest expense	6,034	3,332	(5,307)	4,059
Depreciation and amortization	712	1,023	1,553	3,288
Income (loss) before provision for income tax	31,255	11,358	110	42,723
Total assets	267,435	125,117	82,794	475,346
Non-cash items:				
Provision for bad debt expense	1,892	727	636	3,255
Deferred income tax benefit	—	—	565	565
Minority interest	—	—	3,327	3,327
Capital expenditures	1,747	1,211	1,864	4,822
2000				
Net sales	$1,426,195	$278,264	$ —	$1,704,459
Intersegment sales (purchases), net	302	(302)	—	—
Interest income	198	104	1,314	1,616
Interest expense	7,752	2,551	(4,729)	5,574
Depreciation and amortization	789	1,285	2,054	4,128
Income (loss) before provision for income tax and extraordinary item	30,997	14,769	(5,801)	39,965
Extraordinary item	—	—	2,189	2,189
Total assets	301,671	134,051	66,165	501,887
Non-cash items:				
Provision for bad debt expense	1,946	758	(185)	2,519
Deferred income tax benefit	—	—	6,034	6,034
Minority interest	—	—	3,555	3,555
Capital expenditures	1,241	1,091	9,715	12,047
2001				
Net sales	**$ 966,701**	**$301,045**	**$ —**	**$1,267,746**
Interest income	**138**	**91**	**441**	**670**
Interest expense	**7,711**	**2,039**	**(4,575)**	**5,175**
Depreciation and amortization	**878**	**1,408**	**2,190**	**4,476**
Income (loss) before provision for (recovery of) income tax and extraordinary item	**(17,732)**	**12,556**	**(6,970)**	**(12,146)**
Total assets	**342,290**	**132,720**	**58,358**	**533,368**
Non-cash items:				
Provision for bad debt expense	**629**	**1,091**	**216**	**1,936**
Deferred income tax benefit	**—**	**—**	**3,364**	**3,364**
Minority interest	**—**	**—**	**1,851**	**1,851**
Capital expenditures	**941**	**840**	**827**	**2,608**

Net sales and long-lived assets by location for the years ended November 30, 1999, 2000 and 2001 were as follows.

	Net Sales			Long-Lived Assets		
	1999	2000	**2001**	1999	2000	**2001**
United States	$1,061,532	$1,458,245	**$1,053,008**	$68,126	$50,928	**$41,365**
Canada	23,146	68,004	**85,796**	—	—	**—**
Argentina	22,831	17,888	**2,684**	—	—	**—**
Peru	9,913	—	**4,148**	—	—	**—**
Portugal	—	7,679	**—**	—	—	**—**
Malaysia	7,780	15,294	**12,570**	1,275	849	**1,220**
Venezuela	22,853	15,264	**22,422**	1,387	644	**8,339**
Mexico, Central America and Caribbean	10,568	100,599	**77,134**	—	—	**—**
Chile	—	15,794	**1,077**	—	—	**—**
Other foreign countries	2,910	5,692	**8,907**	—	—	**—**
Total	$1,161,533	$1,704,459	**$1,267,746**	$70,788	$52,421	**$50,924**

(22) Related Party Transactions

During 2000, the Company advanced $620 to an officer/director of the Company which has been included in prepaid expenses and other current assets on the accompanying consolidated balance sheet. On December 1, 2000, the Company obtained an unsecured note in the amount of $620 for the advance. The note, which bears interest at the LIBOR rate, to be adjusted quarterly, plus 1.25% per annum, is due, principle and interest, on November 30, 2001. In addition, the Company has outstanding notes due from various officers of the Company aggregating $235 as of November 30, 2001, which have been included in other assets on the accompanying consolidated balance sheet. The notes bear interest at the LIBOR rate plus 0.5% per annum. Principle and interest are payable in equal annual installments beginning July 1, 1999 through July 1, 2003.

The Company also leases certain facilities and equipment from its principle stockholder and several officers (Note 19).

In April 2000, the Company entered into a sale/leaseback transaction with Shintom (Note 4(a)).

Toshiba is a 5% stockholder in ACC (Note 2). During the years ended November 30, 1999, 2000 and 2001, 39%, 48% and 34% of the Company's purchases, respectively, were from Toshiba (Note, 4(c)). During the quarter ended November 30, 2001, the Company recorded a receivable in the amount of $4,550 from Toshiba for upgrades that were performed by the Company in 2001 on certain models which Toshiba manufactured. Subsequent to November 30, 2001, the amount was received in full.

The Company engages in transactions with Shintom and TALK (Note 4(b)).

(23) Contingencies

The Company is a defendant in litigation arising from the normal conduct of its affairs. The impact of the final resolution of these matters on the Company's results of operations or liquidity in a particular reporting period is not known. Management is of the opinion, however, that the litigation in which the Company is a defendant is either subject to product liability insurance coverage or, to the extent not covered by such insurance, will not have a material adverse effect on the Company's consolidated financial position.

During 2001, the Company, along with other suppliers, manufacturers and distributors of hand-held wireless telephones, was named as a defendant in five class action lawsuits alleging damages relating to exposure to radio frequency radiation from hand-held wireless telephones. These class actions have been consolidated and transferred to a Multi-District Litigation Panel before the United States District Court of the District of Maryland. There are various procedural motions pending and no discovery has been conducted to date. The Company has asserted indemnification claims against the manufacturers of the hand-held wireless telephones. The Company is vigorously defending these class action lawsuits. The Company does not expect the outcome of any pending litigation to have a material adverse effect on its consolidated financial position.

The Company has guaranteed a $300 line of credit with a financial institution on behalf of one of its equity investments and has established standby letters of credit to guarantee the bank obligations of Audiovox Communications Sdn. Bhd. and Audiovox Venezuela (Note 11(a)).

Independent Auditors' Report

The Board of Directors and Stockholders
Audiovox Corporation:

We have audited the accompanying consolidated balance sheets of Audiovox Corporation and subsidiaries as of November 30, 2000 and 2001, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended November 30, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Audiovox Corporation and subsidiaries as of November 30, 2000 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended November 30, 2001, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Melville, New York
March 15, 2002

Market for the Registrant's Common Equity and Related Stockholder Matters

Summary of Stock Prices and Dividend Data

The Class A Common Stock of Audiovox are traded on the Nasdaq Stock Market® under the symbol VOXX. No dividends have been paid on the Company's common stock. The Company is restricted by agreements with its financial institutions from the payment of common stock dividends while certain loans are outstanding (see Liquidity and Capital Resources of Management's Discussion and Analysis). There are approximately 522 holders of record of our Class A Common Stock and 4 holders of Class B Convertible Common Stock.

Class A Common Stock

Fiscal Period	High	Low	Average Daily Trading Volume
2000			
First Quarter	$65.50	$25.00	443,904
Second Quarter	72.50	16.63	713,149
Third Quarter	30.94	13.69	740,123
Fourth Quarter	18.88	9.00	355,056
2001			
First Quarter	**$14.13**	**$ 7.38**	**373,083**
Second Quarter	**12.13**	**7.28**	**162,019**
Third Quarter	**12.10**	**8.37**	**82,509**
Fourth Quarter	**9.39**	**5.90**	**105,022**

CORPORATE INFORMATION

Audiovox Corporation
Board of Directors and Officers

BOARD OF DIRECTORS

John J. Shalam
Chairman, President and Chief Executive Officer

Philip Christopher
Executive Vice President, Audiovox Corporation
President and Chief Executive Officer,
Audiovox Communications Corp.

Charles M. Stoehr
Senior Vice President, Chief Financial Officer

Patrick M. Lavelle
Sr. Vice President, Audiovox Corporation
President and Chief Executive Officer,
Audiovox Electronics Corp.

Ann M. Boutcher
Vice President, Marketing

Richard Maddia
Vice President, MIS

Dennis McManus
Vice President, New Product Marketing,
LSSi Corp.

Paul C. Kreuch, Jr.
Managing Director, W.J.M. Associates

Irving Halevy
Retired Professor and Arbitrator

OFFICERS

John J. Shalam
Chairman, President and Chief Executive Officer

Philip Christopher
Executive Vice President, Audiovox Corporation
President and Chief Executive Officer,
Audiovox Communications Corp.

Charles M. Stoehr
Senior Vice President, Chief Financial Officer

Patrick M. Lavelle
Sr. Vice President, Audiovox Corporation
President and Chief Executive Officer,
Audiovox Electronics Corp.

Chris L. Johnson
Vice President and Secretary

Ann M. Boutcher
Vice President, Marketing

Richard Maddia
Vice President, MIS

Independent Auditors
KPMG LLP
Melville, New York

Legal Counsel
Levy & Stopol, LLP
Uniondale, New York

SHAREHOLDER INFORMATION

Corporate Office
Audiovox Corporation
150 Marcus Blvd.
Hauppauge, New York 11788
(631) 231-7750

Stock Exchange Listing
Nasdaq®
Ticker Symbol: "VOXX"

Annual Meeting
The Annual Meeting of Shareholders will be held on Thursday, May 9, 2002 at 10 AM at the Sheraton Smithtown, Hauppauge, New York.

Transfer Agent and Registrar
Continental Stock
Transfer and Trust Company
New York, New York

Financial Public Relations
PR 21, Inc.
79 Fifth Avenue
New York, New York 10003
(212) 299-3956

Analyst Coverage
The Company is being followed by the brokerage firm Ladenburg, Thalmann & Co. Inc. For more information contact PR 21, Inc.

Form 10-K
Copies of the corporation's annual report on Form 10-K are available from:
Audiovox Corporation
Stockholders' Relations at
PR 21, Inc.
79 Fifth Avenue
New York, New York 10003

Audiovox Corporation is an Equal Opportunity Employer

Web Site: www.audiovox.com

Except for historical information contained herein, statements made in this release that would constitute forward-looking statements may involve certain risks such as our ability to keep pace with technological advances, significant competition in the wireless, mobile and consumer electronics businesses, quality and consumer acceptance of newly introduced products, our relationships with key suppliers and customers, market volatility, non-availability of product, excess inventory, price and product competition, new product introductions, the uncertain economic and political climate in the United States and throughout the rest of the world and the potential that such climate may deteriorate further and other risks detailed in the Company's Form 10-K for the fiscal year ended November 30, 2001. These factors, among others may cause actual results to differ materially from the results suggested in the forward-looking statements.

AUDIOVOX CORPORATION
150 Marcus Boulevard
Hauppauge, New York 11788
(631) 231-7750