

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15 (d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 12, 2010

AUDIOVOX CORPORATION  
(Exact name of registrant as specified in its charter)

<u>Delaware</u> (State or other jurisdiction of incorporation)	<u>0-28839</u> (Commission File Number)
<u>13-1964841</u> (I.R.S. Employer Identification No.)	
<u>180 Marcus Blvd., Hauppauge, New York</u> (Address of principal executive officers)	<u>11788</u> (Zip Code)

Registrant's telephone number, including area code (631) 231-7750

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(e))

**Item 2.02 Results of Operations and Financial Condition**

On October 12, 2010, Audiovox Corporation (the "Company") issued a press release announcing its earnings for the six months ended August 31, 2010. A copy of the release is furnished herewith as Exhibit 99.1.

**Item 8.01 Other Events.**

On October 13, 2010, the Company held a conference call to discuss its financial results for the six months ended August 31, 2010. The Company has prepared a transcript of that conference call, a copy of which is annexed hereto as Exhibit 99.2.

The information furnished under Items 2.02 and 8.01, including Exhibits 99.1 and 99.2, shall not be deemed to be filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and will not be incorporated by reference into any registration statement filed under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

**EXHIBIT INDEX**

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release, dated October 12, 2010, relating to Audiovox Corporation's earnings release for the six months ended August 31, 2010 (filed herewith).
99.2	Transcript of conference call held on October 13, 2010 at 10:00 am (filed herewith).

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AUDIOVOX CORPORATION (Registrant)

Date: October 14, 2010  
BY: /s/ Charles M. Stoehr  
Charles M. Stoehr  
Senior Vice President and  
Chief Financial Officer

**Audiovox Corporation Reports Fiscal 2011 Second Quarter and Six Month Results**

HAUPPAUGE, N.Y., Oct 12, 2010 /PRNewswire via COMTEX/ --

Audiovox Corporation (Nasdaq: VOXX), today announced results for its fiscal 2011 second quarter ended August 31, 2010.

Commenting on the Company's performance, Pat Lavelle, President and CEO stated, "We posted modest improvements in our top-line this quarter, driven by our acquisitions, new OEM programs and aftermarket automotive sales, as well as continued growth in our international operations. The consumer market in the U.S. however, continues to suffer as consumer spending for non-essential items remains low. Looking ahead, we are encouraged with recent reports pointing to continued increases in car sales as that will have a positive impact on both our top-line and our margins. We continue to introduce new products across all segments of our business and are exploring new categories where we believe Audiovox and our portfolio of brands can prosper. We remain on track for top-line growth and profitability in fiscal 2011, despite continued weakness in the global economies."

Fiscal Second Quarter Highlights

- § Sales up 3.5%, driven by continued improvements in the automotive market.
- § Gross margins increase 240 basis points due to new product introductions and shift in business mix.
- § OEM programs with Ford (Expedition), Lincoln (Navigator), Porsche (Cayenne), and BMW (X3).
- § New GM promotion for rear-seat entertainment systems.
- § Expanded remote start program under Prestige, Code Alarm and Omega brands.
- § Launched One-for-All Smart Remote to go after high-end remote category; Zentral remotes to be launched in fiscal 2011 fourth quarter.
- § Entered final testing stage for AirPower under the RCA brand; scheduled to launch in early 2011.

Fiscal Second Quarter Comparisons

Net sales for the second quarter ended August 31, 2010 were \$129.3 million, an increase of 3.5% compared to net sales of \$124.9 million reported in the comparable year ago period.

Electronics sales were \$95.2 million for the 2011 fiscal second quarter as compared to \$79.0 million for the three months ended August 31, 2009, an increase of 20.5%. Electronics sales were positively impacted by the acquisition of Invision Automotive Systems, new OEM programs and higher aftermarket sales of audio, video and security products for the mobile market. Certain consumer electronics product lines were up for the quarter, including digital camcorders and digital players, though these gains were partially offset by declines in other electronics categories driven by the continued weakness in overall consumer spending. Electronics represented 73.6% of net sales for the three months ended August 31, 2010 compared to 63.3% in the comparable prior year period.

Accessory sales were \$34.1 million for the 2011 fiscal second quarter as compared to \$45.9 million for the three months ended August 31, 2009, a decrease of 25.6%. The majority of this decline was directly related to lower sales of digital antenna products in the fiscal 2011 second quarter as last fiscal year's results were positively influenced by the transition from analog to digital technology. Excluding the impact of antennas, accessory sales were down 5.3% which can be attributed to weakness in consumer spending similar to core electronics products. These declines in accessories were partially offset by increased sales in our international business, both in existing business and through the addition of the Schwaiger acquisition. Accessories represented 26.4% and 36.7% of net sales for the three months ended August 31, 2010 and August 31, 2009, respectively.

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Gross margins were 21.3% for the period ended August 31, 2010, a 240 basis point improvement from 18.9% reported in the comparable prior year period. The increase in gross margins is a direct result of a shift in the Company's product mix towards more OEM related products, as well as better margins in the Company's existing product lines with new product introductions in several product categories. Gross margins were also favorably impacted by reduced costs in freight and warehousing as compared to the prior year period.

Operating expenses increased by \$4.5 million or 19.8% from \$22.8 million, to \$27.3 million for the periods ended August 31, 2009 and August 31, 2010, respectively. The increase in total operating expenses was primarily due to approximately \$4.0 million in expenses associated with the Company's acquisitions of Schwaiger and Invision. In addition, the Company recorded charges for employee stock option costs and professional fees, bad debt expenses associated with a bankruptcy settlement, severance charges associated with the consolidation of a German operating location, and a reinstatement of a portion of the employee salary reductions below the vice president level. As a percentage of net sales, operating expenses increased to 21.1% as compared to 18.2% for the three months ended August 31, 2010 and August 31, 2009, respectively.

The Company reported net income of \$0.6 million and earnings per share of \$0.03 for the 2011 fiscal second quarter compared to net income of \$2.8 million or earnings per share of \$0.12 for the 2010 fiscal second quarter. Net income for the 2010 fiscal second quarter included an income tax benefit of \$1.6 million.

Lavelle continued, "The slower than anticipated economic recovery has impacted our sales and our bottom-line performance through the first half of the year, but we remain profitable given the steps taken to improve our margins, better align our overhead and improve operating efficiencies. Our OEM presence is growing as are our retail partnerships, and our cash position and balance sheet remain strong. We believe the Company is well positioned to generate both near and long-term value, especially as the economy improves."

#### Six-Month Comparisons

Net sales for the six months ended August 31, 2010 were \$259.6 million, an increase of 6.1% compared to net sales of \$244.7 million reported in the comparable six-month period.

Electronics sales were \$189.7 million for the 2011 fiscal six month period as compared to \$158.0 million for the six months ended August 31, 2009, an increase of 20.1%. Electronics sales were positively impacted by the acquisitions of Invision Automotive System as well as higher automotive sales driven by new OEM programs and aftermarket sales. These increases were partially offset by declines in certain consumer electronics categories. Electronics represented 73.1% of net sales for the six months ended August 31, 2010 compared to 64.6% in the prior six month period.

Accessory sales were \$69.9 million for the six months ended August 31, 2010 as compared to \$86.7 million for the six months ended August 31, 2009, a decrease of 19.4%. The majority of this decline was directly related to lower sales of digital antenna products as last fiscal year's results were positively influenced by the transition from analog to digital technology. Excluding the impact of antennas, accessory sales were up 2.4%. Accessories represented 26.9% and 35.4% of net sales for the six months ended August 31, 2010 and August 31, 2009, respectively.

Gross margins were 21.0% for the six month period ended August 31, 2010, a 200 basis point improvement from 19.0% reported in the comparable six month period. The increase in gross margins is a direct result of a shift in the company's product mix towards more OEM related products, as well as better margins in the Company's existing product lines with several new product introductions. Gross margins were also favorably impacted by reduced costs in freight and warehousing as compared to the prior year period.

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Operating expenses increased by \$10.4 million or 22.8% from \$45.5 million, to \$55.8 million for the six month periods ended August 31, 2009 and August 31, 2010, respectively. The increase in total operating expenses was primarily due to approximately \$6.6 million in expenses associated with the Company's acquisitions of Schwaiger and Invision. The additional increase in operating expenses is related to charges taken for employee stock option costs, higher professional fees, bad debt expenses associated with a bankruptcy settlement and a reinstatement of a portion of the employee salary reductions below the vice president level. As a percentage of net sales, operating expenses increased to 21.5% as compared to 18.6% for the six months ended August 31, 2010 and August 31, 2009, respectively.

The Company reported net income of \$1.8 million and earnings per share of \$0.08 for the 2011 fiscal six month period compared to net income of \$3.2 million or earnings per share of \$0.14 for the 2010 fiscal six month period. Net income for the 2010 fiscal six month period included an income tax benefit of \$1.3 million.

#### Conference Call Information

The Company will be hosting its conference call on Wednesday, October 13 at 10:00 a.m. EDT. Interested parties can participate by visiting [www.audiovox.com](http://www.audiovox.com), and clicking on the webcast in the Investor Relations section or via teleconference (toll-free number: 866-510-0676; international number: 617-597-5361; pass code: 46308111). For those who will be unable to participate, a replay will be available approximately one hour after the call has been completed and will last for one week thereafter (replay number: 888-286-8010; international replay number: 617-801-6888; pass code: 38040798).

#### About Audiovox

Audiovox (Nasdaq: VOXX) is a recognized leader in the marketing of automotive entertainment, vehicle security and remote start systems, consumer electronics products and consumer electronics accessories. The company is number one in mobile video and places in the top ten of almost every category that it sells. Among the lines marketed by Audiovox are its mobile electronics products including mobile video systems, auto sound systems including satellite radio, vehicle security and remote start systems; consumer electronics products such as MP3 players, digital camcorders, DVRs, Internet radios, clock radios, portable DVD players, multimedia products like digital picture frames and home and portable stereos; consumer electronics accessories such as indoor/outdoor antennas, connectivity products, headphones, speakers, wireless solutions, remote controls, power & surge protectors and media cleaning & storage devices; Energizer(R)-branded products for rechargeable batteries and battery packs for camcorders, cordless phones, digital cameras and DVD players, as well as for power supply systems, automatic voltage regulators and surge protectors. The company markets its products through an extensive distribution network that includes power retailers, 12-volt specialists, mass merchandisers and an OE sales group. The company markets products under the Audiovox, Advent, RCA, Jensen, Acoustic Research, Energizer, Excalibur, Code Alarm, Invision, Omega, Prestige, Schwaiger, SURFACE and Terk brands. For additional information, visit our Web site at [www.audiovox.com](http://www.audiovox.com).

#### Safe Harbor Statement

*Except for historical information contained herein, statements made in this release that would constitute forward-looking statements may involve certain risks and uncertainties. All forward-looking statements made in this release are based on currently available information and the Company assumes no responsibility to update any such forward-looking statement. The following factors, among others, may cause actual results to differ materially from the results suggested in the forward-looking statements. The factors include, but are not limited to, risks that may result from changes in the Company's business operations; our ability to keep pace with technological advances; significant competition in the mobile and consumer electronics businesses as well as the wireless business; our relationships with key suppliers and customers; quality and consumer acceptance of newly introduced products; market volatility; non-availability of product; excess inventory; price and product competition; new product introductions; the possibility that the review of our prior filings by the SEC may result in changes to our financial statements; and the possibility that stockholders or regulatory authorities may initiate proceedings against Audiovox and/or our officers and directors as a result of any restatements. Risk factors associated with our business, including some of the facts set forth herein, are detailed in the Company's Form 10-K for the fiscal year ended February 28, 2010 and in its most recent quarterly filing with the Securities and Exchange Commission (SEC).*

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**Audiovox Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
*(In thousands, except share data)*

<b>Assets</b>	<b>August 31, 2010</b>	<b>February 28, 2010</b>
	<u>(unaudited)</u>	
<b>Current assets:</b>		
Cash and cash equivalents	\$ 52,947	\$ 69,511
Short-term investments	20,249	-
Accounts receivable, net	97,947	131,266
Inventory	126,345	102,717
Receivables from vendors	15,243	11,170
Prepaid expenses and other current assets	14,994	16,311
Income tax receivable	749	1,304
Deferred income taxes	47	47
Total current assets	<u>328,521</u>	<u>332,326</u>
Investment securities	15,003	15,892
Equity investments	12,327	11,272
Property, plant and equipment, net	20,682	22,145
Goodwill	7,631	7,389
Intangible assets	96,131	97,226
Deferred income taxes	509	515
Other assets	1,886	2,213
Total assets	<u>\$ 482,690</u>	<u>\$ 488,978</u>

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**Audiovox Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
*(In thousands, except share data)*

	<b>August 31,</b>	<b>February 28,</b>
	<b>2010</b>	<b>2010</b>
	(unaudited)	
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 37,754	\$ 36,126
Accrued expenses and other current liabilities	31,289	35,790
Accrued sales incentives	12,513	10,606
Deferred income taxes	1,879	1,931
Bank obligations	1,584	1,703
Current portion of long-term debt	1,263	6,383
Total current liabilities	86,282	92,539
Long-term debt	5,673	6,613
Capital lease obligation	5,406	5,490
Deferred compensation	3,245	3,158
Other tax liabilities	1,219	1,219
Deferred tax liabilities	8,147	8,502
Other long-term liabilities	6,532	7,194
Total liabilities	116,504	124,715
Commitments and contingencies		
Stockholders' equity:		
Series preferred stock, \$.01 par value; 1,500,000 shares authorized, no shares issued or outstanding	-	-
Common stock:		
Class A, \$.01 par value; 60,000,000 shares authorized, 22,454,112 and 22,441,712 shares issued and 20,635,305 and 20,622,905 shares outstanding at August 31, 2010 and February 28, 2010, respectively	225	225
Class B convertible, \$.01 par value; 10,000,000 shares authorized, 2,260,954 shares issued and outstanding at August 31, 2010 and February 28, 2010	22	22
Paid-in capital	276,600	275,684
Retained earnings	115,760	113,996
Accumulated other comprehensive loss	(8,035)	(7,278)
Treasury stock, at cost, 1,818,807 shares of Class A common stock at August 31, 2010 and February 28, 2010	(18,386)	(18,386)
Total stockholders' equity	366,186	364,263
Total liabilities and stockholders' equity	\$ 482,690	\$ 488,978

**Audiovox Corporation and Subsidiaries**  
**Consolidated Statements of Operations**  
**For the three and six months ended August 31, 2010 and 2009**  
*(In thousands, except share and per share data)*  
*(unaudited)*

	Three Months Ended August 31,		Six Months Ended August 31,	
	2010	2009	2010	2009
Net sales	\$ 129,297	\$ 124,890	\$ 259,611	\$ 244,697
Cost of sales	101,827	101,292	205,079	198,174
Gross profit	<u>27,470</u>	<u>23,598</u>	<u>54,532</u>	<u>46,523</u>
Operating expenses:				
Selling	7,623	6,203	16,452	13,162
General and administrative	16,032	14,372	33,362	28,033
Engineering and technical support	3,640	2,205	6,029	4,277
Total operating expenses	<u>27,295</u>	<u>22,780</u>	<u>55,843</u>	<u>45,472</u>
Operating income (loss)	<u>175</u>	<u>818</u>	<u>(1,311)</u>	<u>1,051</u>
Other income (expense):				
Interest and bank charges	(479)	(384)	(920)	(703)
Equity in income of equity investees	840	355	1,748	750
Other, net	498	408	1,998	855
Total other income, net	<u>859</u>	<u>379</u>	<u>2,826</u>	<u>902</u>
Income before income taxes	1,034	1,197	1,515	1,953
Income tax expense (benefit)	<u>389</u>	<u>(1,578)</u>	<u>(249)</u>	<u>(1,295)</u>
Net income	<u>\$ 645</u>	<u>\$ 2,775</u>	<u>\$ 1,764</u>	<u>\$ 3,248</u>
Net income per common share (basic)	<u>\$ 0.03</u>	<u>\$ 0.12</u>	<u>\$ 0.08</u>	<u>\$ 0.14</u>
Net income per common share (diluted)	<u>\$ 0.03</u>	<u>\$ 0.12</u>	<u>\$ 0.08</u>	<u>\$ 0.14</u>
Weighted-average common shares outstanding (basic)	<u>22,893,161</u>	<u>22,872,191</u>	<u>22,890,174</u>	<u>22,868,792</u>
Weighted-average common shares outstanding (diluted)	<u>23,043,136</u>	<u>22,933,728</u>	<u>23,037,640</u>	<u>22,899,561</u>



**CONFERENCE CALL TRANSCRIPT****VOXX - Q2 2011 AUDIOVOX CORPORATION EARNINGS CONFERENCE CALL****EVENT DATE/TIME: OCT 13, 2010 / 02:00PM GMT****CORPORATE PARTICIPANTS****Glenn Wiener***GW Communications - IR***Patrick Lavelle***Audiovox Corporation - President, CEO***Michael Stoehr***Audiovox Corporation - SVP, SFO***CONFERENCE CALL PARTICIPANTS****Jim Barrett***C.L. King & Associates - Analyst***Bob Davidson***Marris Capital - Analyst***PRESENTATION****Operator**

Good day, ladies and gentlemen, and welcome to the second-quarter 2011 Audiovox Corporation earnings conference call. My name is Jasmine and I'll be your operator for today. At this time all participants are in a listen-only mode. Later we will conduct a question-and-answer session. (Operator Instructions). As a reminder, this conference is being recorded for replay purposes. I would now like to turn the conference over to your host for today, to Mr. Glenn Wiener. You may proceed, sir.

**Glenn Wiener - GW Communications - IR**

Thank you, Jasmine, and welcome to Audiovox's fiscal 2011 second-quarter and six-month results conference call. Today's call is being webcast on our site, [www.Audiovox.com](http://www.Audiovox.com), and can be accessed in the Investor Relations section. Joining us this morning are Patrick Lavelle, President and CEO; Michael Stoehr, Senior Vice President and Chief Financial Officer; and John Shalam, Chairman of the Board.

Before we begin I'd quickly like to remind everyone that, except for historical information contained herein, statements made on today's call and webcast that would constitute such forward-looking statements may involve certain risks and uncertainties. All forward-looking statements made are based on currently

available information and the Company assumes no responsibility to update any such forward-looking statements.

Risk factors associated with our business are detailed in the Company's Form 10-K for the fiscal year ended February 28, 2010. And at this time I'd like to turn the call over to Patrick Lavelle. Pat?

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**Patrick Lavelle - Audiovox Corporation - President, CEO**

Thanks, Glenn, and good morning, everyone. Yesterday we reported results after the market closed and posted a sales increase of 3.5%, a margin improvement of 240 basis points, and a net profit of approximately \$645,000 or \$0.03 per share. While the results are quite modest, pretax income is close to that reported in Q2 of fiscal 2010.

But I am most encouraged, however, by the positive growth in our mobile electronics group with all signs pointing to continued increases in car sales over the coming year. Mobile sales were up 56% compared to the second quarter of last year. We attribute this result to a combination of increased car sales, our acquisition of Invision and its impact on our OE business, as well as strong performances in all of our aftermarket mobile segments.

Our audio, video and security businesses all grew and with security sales impacted by a strong start -- a remote start selling season and the addition of the Omega alliance. On the OEM side, sales for the second quarter were up over \$20 million, a triple digit increase over last year. And while Invision was certainly a key contributor, we saw significant increases in all OE groups and categories made possible by the uptick in domestic car sales and new programs won during this past year.

September numbers showed all of the major car manufacturers continuing to post year-over-year gains. According to preliminary estimates, US light vehicle sales reached a seasonally adjusted annual rate of 12.2 million units. Additionally, there appears to be renewed demand for sport-utility vehicles which bodes well for our Company, both in the aftermarket and at the OE level, since these are the primary vehicles for rear seat entertainment systems.

Of course, car sales are still well below levels of years past, but they are improving and estimates today are higher than they were at the beginning of the year. With the addition of Omega product lines, new OE sales from Invision and a number of products we have introduced for the after market, I believe Audiovox will share in the automotive recovery and post stronger results in the quarters ahead.

It's worth noting that the improvement in our margins also correlates with higher automotive sales as they carry higher margins than our core consumer electronic offerings and, in some cases, are on par with select accessory lines.

Not surprising is that our consumer electronics and accessory business continues to be impacted by lower consumer spending. Sales of consumer electronic products were down approximately 3% for the quarter. This segment could have posted small gains had it not been for some supply issues we experienced which continued from the first quarter of the year.

Digital camcorders and media players were up slightly for the quarter. Global accessory sales were down 25% compared to last year with the biggest shortfall coming from domestic antenna sales where we did not expect to anniversary the strong sales of last year that was driven by the transition from analog to digital TV. Last year antenna sales began to normalize midway through the third quarter and moving forward. We anticipate year-over-year numbers to be more in line with normal buying patterns.

Our new line of Acoustic Research remotes were joined by our One-for-All Smart Remote and our Zentral remote line scheduled for the fourth quarter is expected to expand our market leading position in this category.

Looking at the combined business units of CG and accessories, we remain cautious. With unemployment still at all time highs and consumers spending for non-essential items at all-time lows we are planning conservatively for this holiday season. We continue to take a prudent approach in how we manage our business to limit exposure and prevent both product obsolescence and inventory risk.

Although we have reduced expenses across-the-board, we continue to make significant investments in new product development. In mobile we have product introductions across all lines. From our audio group we are in the final stages for the launch of 14 custom OE look radios which are slated for CES introduction. These are multimedia models which include AM/FM, satellite radio, HD radio, iPod compatibility and navigation built-in. Designed for factory replacement we expect good reception from our expediter channel which services new car dealers.

Our accessory group will be launching our new RCA charger program. With the popularity of smart phones and the ever increasing sales of [old] portable devices like digital cameras, MP3 players, iPods, consumers are becoming more and more dependent on keeping their portable products fully charged. Our USB capable chargers work with all USB compatible devices including iPhone, iPod, iTouch, BlackBerry and many of the new Android-based products and they will charge multiple devices at the same time.

Leading the way in our charging lineup will be the RCA AirPower. The AirPower is a portable power harvesting device that will capture and store stray RF energy that can be used to charge small portable electronics. We intend to launch AirPower at the CES show in January.

AirPower is an RCA innovation. One of the big benefits of the RCA acquisition was A&D and this is a product that has been in the works for some time. AirPower has already received a lot of attention and we are excited about its potential. All of our product groups have new products planned for CES which we believe position us well for fiscal 2012.

Moving on to our international business, sales for the quarter were up over 38% despite some negative reports coming out of the EU. We believe our international operations will continue growing through the remainder of the year. Our acquisition of Schwaiger is paying off as their products are well received.

We began shipments of rear seat entertainment for the Porsche Cayenne this past quarter as well as our first shipment to BMW for the X3. As a result of these new launches, and a new contract with Bentley, we expect improvement in our European OE sales as these products roll out.

Sales and margins in Europe were impacted by the weaker dollar. We have seen a strengthening of the euro recently which will reverse the first half trend. We continue to monitor the Venezuelan economic situation closely. We have taken steps to protect our assets and Michael will discuss this further in his remarks. Despite these well-publicized issues, sales are up 31% over last year and our operation continues to be profitable.

Before I close I'd like to address FLO TV and the decision made by Qualcomm to suspend its direct-to-consumer sales of new devices. We are disappointed in this decision as we are firm believers in the FLO TV service and the market potential long term. In fact, we continue to believe that the time is right for affordable live content in a vehicle as it remains the number one consumer request for entertainment options.

FLO TV's suspension of sales will not have a significant impact on our fiscal 2011 revenue. First, we had not anticipated overly high sales of the product in its first year since, as with any new technology, we knew it would take time to catch on. Additionally, we expect no exposure or negative impact to our financial statements as we will work with FLO TV to transition out of this business with no loss to Audiovox. And I firmly believe that we will replace these sales as new technologies like mobile HDTV rolls out during fiscal 2012.

In closing, what I said last quarter remains true. Audiovox is positioned for topline growth and profitability this year and beyond. While we are still feeling the effects of an economic recovery which is holding back sales, we have taken steps to improve our margins, better align our overhead and improve operating efficiencies.

We have a stronger OEM presence, great aftermarket relationships and the strongest retail presence in our Company's history as we have generated significant new business in the hardware store channel as well as the growing dollar stores.

We have new products coming to market under almost all of our brands. Our international footprint continues to expand. Our margins continue to come in higher than guided due to our planned and continued exit from lower margin products and a greater mix in the newer acquired categories.

We have the right infrastructure in place to support significantly more sales without adding costs. As sales levels increase I believe you'll see the positive impact to our bottom line.

Our cash and short-term investments stood at \$73 million at the close of the quarter. And through our M&A efforts we have identified a number of potential acquisition targets and are currently in the process of determining feasibility.

I appreciate your support and time this morning and I will now turn the call over to Michael and when he's through we will answer some questions. Mike?

**Michael Stoehr - Audiovox Corporation - SVP, SFO**

Thanks, Pat. Good morning, everyone. Net sales for fiscal 2011's second quarter were \$129.3 million, an increase of 3.5% over \$124.9 million reported the second quarter last year. Electronic sales were \$95.2 million, an increase of 20.5% and accessory sales were \$34.1 million, down 25.6%.

For the six month period, electronic sales were \$189.7 million compared to \$158 million, an increase of \$31.7 million or 20.1%. Accessories were \$69.9 million, a decrease of \$16.8 million or 19.4%. In electronics, as Pat mentioned, the growth of both periods was primarily due to higher mobile electronic sales due to our acquisition of Invision and the addition of sales from Omega Plus increased OEM sales.

Our OEM sales increased as a result of higher car sales and several new OEM programs. We also experienced increases in our audio, video and security groups as well as higher sales of digital players in our consumer business. Partially offsetting these increases were declines in certain consumer electronic categories. I will add that excluding the acquisition of Invision, our electronic sales were still up 6% for the quarter and 5.7% for the comparable six-month period.

Accessory sales were off for both periods, but much of this decline was due to digital antenna sales. Excluding the impact of this product category, our accessory sales were off 3.5% for the comparable second quarter and up 2.4% for the comparable six-month period.

As a percentage of sales for the comparable second quarter electronics represented 73.6% of sales and accessories 26.4% compared to 63.3% and 36.7%. The six-month period as a percentage of net sales, electronics were 73.1% compared to 64.6% and accessories were 26.9% versus 35.4%.

Our international business was up in both the second-quarter and six-month periods compared to last year, approximately 38.1% and 38%, respectively. A portion of our total international sales increased in the second quarter due to the weakening of the US dollar versus the euro and due to our acquisition of Schwaiger, which was not in the last year's results.

Note that in the first quarter our business was adversely impacted as the dollar strengthened. Excluding Schwaiger, our international business was down 3.1% and 2.3% for both the comparable second-quarter and six-month periods.

Our gross margins improved 240 basis points to 21% from 18.9% for the comparable second quarter. The six-month period gross margins were 21% versus 19%, an increase of 200 basis points resulting from our Invision acquisition. And during both periods margins were favorably impacted by higher sales in our OEM business, better margins in our existing product lines as a result of new product introductions, lower costs of freight and warehousing.

Given the shift in our business mix towards more OEM-related sales, our margins have come in higher than previous forecasts. Operating expenses increased \$4.5 million and \$10.4 million for the three and six months ended August 31 -- \$22.8 million to \$27.3 million and from \$45.5 million to 55.8 million. These increases were primarily due to our acquisitions which accounted for \$4 million of the increase during the comparable second-quarter periods and \$6.6 million for the comparable six-month periods.

In addition, the Company recorded charges for employee stock option costs and professional fees, bad debt expenses associated with the final settlement related to Circuit City bankruptcy, and severance pay charges associated with the consolidation of operations which occurred in our German locations. A portion of the increase was due to a portion of salary reinstatements to the employees under the Vice President level.

The following is a summary of the impact of the quarter by these additional charges. Employee stock options were \$428,000; bad debt settlement related to Circuit City preference payment \$677,000; severance and pay and termination pay in Germany for the combination of locations \$282,000; and FX losses on euro contracts of \$171,000 -- or expenses of \$1,558,000 for the second quarter.

Our headcount for both periods ended August 31 was 962 employees this year versus 758 employees last year, an increase of 204 employees. Through our acquisitions of Schwaiger and Invision, we added 238 employees and our net headcount excluding acquisitions remains down 2% compared to last year which we had taken an expense -- a reduction in employee headcount which was our low point. So we're further reducing our headcount.

Based on expected sales volume for the remainder of the year we believe our overhead is in line, so we continue to evaluate our overhead and look for synergies in our cost structure to improve bottom-line performance. Interest and bank charges represent expenses for bank obligations of Audiovox Corporation, Audiovox Germany and interest for a capital lease. The net impact during the second quarter was an expense of \$479,000 compared to \$384,000 and for the six-month period \$920,000 compared to \$703,000.

Equity income in our equity investee increased due to higher equity income of ASA. The Company's share of income from ASA for the six-month period ended August 31 was \$1.7 million compared to \$750,000 six-month period last year, a result of increased improvement in their market areas. Other income increased by \$90,000 for the comparable second quarters and \$1.1 million for the six-month periods primarily due to interest income, gains on investment and foreign exchange gains.

For the comparable second quarter the Company reported net income of \$645,000 or \$0.03 per share compared to net income of \$2.8 million or \$0.12 a share. For the six-month periods net income was \$1.8 million, or earnings per share of \$0.08, compared to net income of \$3.2 million or \$0.14 per share.

Please note -- net income declined versus prior periods primarily as a result of a discrete tax benefit recorded in 2009 associated with a FIN 48 tax provision. Income before taxes for the three-month period August 31, 2010, was \$1 million compared to pretax of \$1.2 million for the comparable period last year, and for the six-month period it was \$1.5 million compared to \$2 million.

Adjusting our pretax second-quarter income for the additional overhead charges which I just stated previously, we would've reported pretax of approximately \$2.6 million versus \$1.2 million last year for this quarter.

Moving on to the balance sheet. Operating activities provided cash of \$11.1 million for the six months ended August 31 potentially due to increased accounts receivable terms partially offset by an increase in inventory. The Company experienced increased accounts receivable turnover of 5.3 compared to 4.8 and inventory turnover declined to 2.8 versus 2.9 as inventory has increased due to increased purchases in Invision and seasonal purchases for the third quarter. All figures are for a six-month comparison.

As of August 31, 2010, we had working capital of \$242.2 million which includes cash and short-term investments of \$73.2 million compared to working capital of \$239.8 million, cash and short-term investments of \$69.5 million. Increasing cash and short-term investments is primarily due to better terms in our accounts receivable. Our cash and short-term investments were up \$3.7 million.

We continue to review activity in Venezuela both economically and politically. The operation has been paying down the Company payable and we have limited our in-country financing. Our Venezuelan operation has approximately \$6 million in cash and a long-term investment in both TICs or Venezuelan bonds.

The Company has sufficient working capital to fund business requirements and, as Pat mentioned, we remain active in the M&A area. I believe we are well positioned for the future and we will continue to take steps to improve our operating and financial performance. I'll turn the call back to Pat.

**Patrick Lavelle - Audiovox Corporation - President, CEO**

Okay, Mike. Thank you very much and at this time we'll open it up for questions.

#### QUESTION AND ANSWER

**Operator**

(Operator Instructions). Mr. Jim Barrett, C.L. King & Associates.

**Jim Barrett - C.L. King & Associates - Analyst**

Good morning, everyone. Mike, I had a question for you and I think you touched upon it. When I look at your total operating expenses I think you outlined \$1.6 million of one-time items.

**Michael Stoehr - Audiovox Corporation - SVP, SFO**

Yes.

**Jim Barrett - C.L. King & Associates - Analyst**

Should I think of the run rate for operating expenses therefore being somewhere roughly in the \$25 million range?

**Michael Stoehr - Audiovox Corporation - SVP, SFO**

Yes, you can adjust for the \$1.6 million, Jim.





**Jim Barrett - C.L. King & Associates - Analyst**

Okay. And so it would seem, therefore, in order to leverage that overhead you need a recovery -- a further recovery in the automotive market, a further recovery in the consumer electronic market. Is that how we should -- aided by new product?

**Patrick Lavelle - Audiovox Corporation - President, CEO**

Yes, I think what we're looking for is a topline improvement. As we said, we think where -- that the overhead and the infrastructure of the Company is positioned well at this particular point. We are seeing signs of increased activity, as I said, especially in the automotive side. But as the economy slowly improves, we expect to see improvements at the retail sector as well.

**Jim Barrett - C.L. King & Associates - Analyst**

Okay. And, Pat, has Invision been fully integrated?

**Patrick Lavelle - Audiovox Corporation - President, CEO**

Yes, we are in the process of doing some IT work with them, but once that is complete, they would be 100% integrated into Audiovox.

**Jim Barrett - C.L. King & Associates - Analyst**

And would you care to provide any further color on AirPower? How are you feeling about the engineering testing and I believe the patent application?

**Patrick Lavelle - Audiovox Corporation - President, CEO**

Well, the application is going through. That can take some time and I don't believe we've gotten any questions from the patent office on it at this point. The testing is going well and we fully expect to be introducing at CES.

**Jim Barrett - C.L. King & Associates - Analyst**

Okay, well thank you both very much.

**Patrick Lavelle - Audiovox Corporation - President, CEO**

You're welcome, Jim.

**Operator**

[Bob Davidson], [Marris] Capital.

**Bob Davidson - Marris Capital - Analyst**

Thanks. Patrick, Mike, good job this quarter.

**Patrick Lavelle - Audiovox Corporation - President, CEO**

Thank you.

**Bob Davidson - Marris Capital - Analyst**

A couple of things -- a few months ago in the Wall Street Journal they were talking about how 2011 would be very critical for companies to drive topline revenue through other -- different types of channels, mainly e-commerce. Could you provide some color as to what you guys are doing in terms of -- what is your e-commerce vision forward? How are you trying to sell more off of your website to drive incremental revenue?

**Patrick Lavelle - Audiovox Corporation - President, CEO**

We have recently introduced a completely new store under the Audiovox site and we will be rolling out stores under the RCA website and also under the AR within the next month or two. We are taking an active role in e-commerce. However, our products, our new products will be listed at MSRP and what we plan to move out on our e-commerce would be our discontinued merchandise and closeouts.

**Bob Davidson - Marris Capital - Analyst**

How do you plan to -- how are you driving people to the site to let them know that you're there, you have these closeouts -- liquidate that inventory? How are you getting them there?

**Patrick Lavelle - Audiovox Corporation - President, CEO**

We have some SEO programs planned. We also drive people through our Facebook and Twitter accounts and our regular websites will allow consumers seamless entry into the store.

**Bob Davidson - Marris Capital - Analyst**

In terms of sales, what was your percentage of sales last year that you drove through your Website as compared to overall sales? Do you have a number --?

**Patrick Lavelle - Audiovox Corporation - President, CEO**

They're insignificant.

**Bob Davidson - Marris Capital - Analyst**

Very small?

**Patrick Lavelle - Audiovox Corporation - President, CEO**

Very small.

**Bob Davidson - Marris Capital - Analyst**

Okay, are you trying to improve on that, or is that not really an area of --?

**Patrick Lavelle - Audiovox Corporation - President, CEO**

No, we are trying to improve. Obviously we do not want to be in competition with our large retailers; that is not the intent of our store. But there are a lot of part sales and things that our consumers are looking for which these parts are not carried at our retailers. So we are driving them to those types of products and, again, discontinued products where we may have some left that (multiple speakers) interesting.

**Bob Davidson - Marris Capital - Analyst**

Yes, I just recently got an iPhone. Are you able to load in -- can you download an iPhone app for your Audiovox site? Are you doing anything in mobile?

**Patrick Lavelle - Audiovox Corporation - President, CEO**

I'm not -- no, we can't do an iPod app for our site.

**Bob Davidson - Marris Capital - Analyst**

Okay. Are you planning to do anything like that or --?

**Patrick Lavelle - Audiovox Corporation - President, CEO**

No. We are evaluating our sites on a constant basis to make sure that they're fresh and up to date, so I would look into that.

**Bob Davidson - Marris Capital - Analyst**

Okay, one other thing -- you talked about SEO initiatives, what are you guys doing around that? I mean, are you doing a lot of paper click advertising? Targeted search? Are you sending out like e-mail campaigns through Facebook? How are you getting people to the site to buy your products at closeout?

**Patrick Lavelle - Audiovox Corporation - President, CEO**

We're doing targeted sites and targeted searches and we also employ every one of the ones that you just mentioned. We'll drive them there from our Website.

**Bob Davidson - Marris Capital - Analyst**

Okay. And final question going forward, what would you say your number one goal is for the next quarter and how would you like to accomplish that goal?

**Patrick Lavelle - Audiovox Corporation - President, CEO**

Well, the number one goal for next quarter is to maximize topline revenue. That has been our key goal for some time and the economy has been making that difficult to achieve. But that is where we're going to get the biggest impact at Audiovox on the bottom line and for our shareholders is to drive the topline.

**Bob Davidson - Marris Capital - Analyst**

Okay. Thank you very much. Good job.

**Patrick Lavelle - Audiovox Corporation - President, CEO**

You're welcome, Bob. Thank you.

**Operator**

(Operator Instructions). [Jim Blackwood], [Polan] Research.

**Patrick Lavelle - Audiovox Corporation - President, CEO**

Okay. Let's move on.

**Operator**

Jim Barrett, C.L. King & Associates.

**Jim Barrett - C.L. King & Associates - Analyst**

Hi, Pat. This is the other Jim. Where you stand today you presumably have reasonable visibility on your initial orders into retail relative to four, five, six months ago. Are those retailers -- are their buying patterns -- are their perspective on the holidays -- is it better than you thought? More optimistic, less optimistic or pretty much where you expected them to be?

**Patrick Lavelle - Audiovox Corporation - President, CEO**

I would say that it's pretty much where we expected them to be and quite similar to last year.



**Jim Barrett - C.L. King & Associates - Analyst**

And should I interpret that to mean that they're ordering cautious inventories and ordering later rather than earlier?

**Patrick Lavelle - Audiovox Corporation - President, CEO**

Yes -- again, similar to last year's pattern.

**Jim Barrett - C.L. King & Associates - Analyst**

Okay, okay. Thanks again.

**Operator**

At this time there are no further questions. I'd like to turn the call back to management.

**Patrick Lavelle - Audiovox Corporation - President, CEO**

Okay. Well, thank you for joining us this morning. We always appreciate your support and have a great day.

**Operator**

Ladies and gentlemen, this concludes today's conference. Thank you for your participation. You may now disconnect. Have a great day.

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