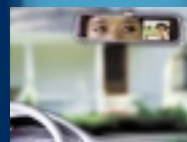


ON THE LEADING EDGE OF CONSUMER ELECTRONICS



# AUDIOVOX

2002 ANNUAL REPORT





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 we are the only manufacturer to supply every CDMA carrier in North America. 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.

# AUDIOVOX FINANCIAL HIGHLIGHTS

## Selected Financial Data

Years Ended November 30,

	1998	1999	2000 (As Restated*)	2001 (As Restated*)	2002
<i>(Dollars in thousands, except per share data)</i>					
<b>Consolidated Statement of Operations Data</b>					
Net sales <sup>(1)(2)</sup>	\$606,108	\$1,149,537	\$1,670,291	\$1,276,591	<b>\$1,100,382</b>
Net income (loss) before extraordinary item and cumulative effect of a change in accounting for negative goodwill	2,972	27,246	25,303	(7,198)	<b>(14,280)</b>
Extraordinary item	—	—	2,189	—	<b>—</b>
Cumulative effect of a change in accounting for negative goodwill	—	—	—	—	<b>240</b>
Net income (loss)	2,972	27,246	27,492	(7,198)	<b>(14,040)</b>
Net income (loss) per common share before extraordinary item and cumulative effect:					
Basic	0.16	1.43	1.19	(0.33)	<b>(0.65)</b>
Diluted	0.16	1.39	1.12	(0.33)	<b>(0.65)</b>
Net income (loss) per common share:					
Basic	0.16	1.43	1.29	(0.33)	<b>(0.64)</b>
Diluted	0.16	1.39	1.22	(0.33)	<b>(0.64)</b>
<b>Consolidated Balance Sheet Data</b>					
Total assets	\$287,816	\$ 486,220	\$ 517,586	\$ 544,497	<b>\$ 551,235</b>
Working capital	160,609	272,081	305,369	284,166	<b>292,687</b>
Long-term obligations, less current installments	33,724	122,798	23,468	10,040	<b>18,250</b>
Stockholders' equity	177,720	216,744	330,766	323,220	<b>309,513</b>

(1) Effective March 1, 2002, the Company adopted Emerging Issues Task Force (EITF) Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer." Upon adoption of this Issue, the Company reclassified its sales incentives offered to its customers from selling expenses to net sales. For purposes of comparability, these reclassifications have been reflected retroactively for all periods presented.

(2) In fiscal 2001, the Company adopted the provisions of 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 has reclassified such billed amounts, which were previously netted in cost of sales, to net sales. Gross profit has remained unchanged by this adoption. For purposes of comparability, these reclassifications have been reflected retroactively for all periods presented.

## Unaudited Quarterly Financial Data—As Restated

Selected unaudited, quarterly financial data of the Company for the years ended November 30, 2001 and 2002 appears below:

<i>Quarter Ended</i>					
2001 <i>(Dollars in thousands, except per share data)</i>	Feb. 28 (As Restated*)	May 31 (As Restated*)	Aug. 31 (As Restated*)	Nov. 30 (As Restated*)	
Net sales	\$ 348,047	\$ 276,581	\$ 310,811	\$ 341,152	
Gross profit	23,861	5,393	24,001	18,135	
Operating expenses	18,913	18,997	21,470	21,246	
Income (loss) before provision for (recovery of) income taxes and minority interest	5,552	(13,891)	1,248	(4,393)	
Provision for (recovery of) income taxes	2,029	(5,024)	540	(1,169)	
Minority interest income (expense)	(170)	562	121	147	
Net income (loss)	3,353	(8,305)	829	(3,077)	
Net income (loss) per common share:					
Basic	0.15	(0.38)	0.04	(0.14)	
Diluted	0.15	(0.38)	0.04	(0.14)	
<i>Quarter Ended</i>					
2002 <i>(Dollars in thousands, except per share data)</i>	Feb. 28 (As Restated*)	May 31 (As Restated*)	Aug. 31 (As Restated*)	Nov. 30	
Net sales	\$ 184,269	\$ 297,267	\$ 301,992	\$ 316,853	
Gross profit	13,723	18,653	27,468	14,755	
Operating expenses	18,946	24,089	21,283	24,356	
Income (loss) before provision for (recovery of) income taxes, minority interest, and cumulative effect	(7,554)	7,993	4,985	11,571	
Provision for (recovery of) income taxes	(1,500)	4,320	2,416	7,696	
Minority interest income	557	257	49	4,193	
Income (loss) before cumulative effect	(5,497)	3,673	2,618	(15,074)	
Cumulative effect	240	—	—	—	
Net income (loss)	(5,257)	3,673	2,618	(15,074)	
Net income (loss) per common share before cumulative effect:					
Basic	(0.25)	0.17	0.12	(0.69)	
Diluted	(0.25)	0.17	0.12	(0.69)	
Net income (loss):					
Basic	(0.24)	0.17	0.12	(0.69)	
Diluted	(0.24)	0.17	0.12	(0.69)	

\*See footnotes 2 and 26 of Notes to Consolidated Financial Statements in the Form 10-K for the fiscal year ended November 30, 2002.

## TO OUR SHAREHOLDERS:

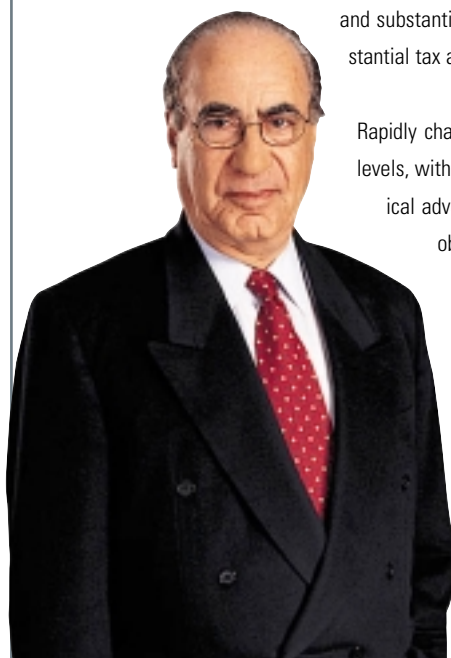
2002 was a most challenging year for Audiovox, reflecting the absence of strong growth in the telecom industry, continued uncertainty in the U.S. economy and the lack of consumer confidence. The months since the end of our fiscal year on November 30 were overshadowed by the anticipation of, and the war with Iraq and further complicated by one of the worst winters in recent years, which severely affected retail business. It has not been a particularly easy time for any business especially those in the high tech sector and we were no exception.

As you know, Audiovox Corporation consists of two independent operating subsidiaries covering the wireless and consumer electronics markets. Although their results are consolidated in our reporting, their businesses are different and I would like to briefly address their individual performance.

Audiovox Communications Corporation (ACC), our wireless subsidiary suffered a second year of declines in revenue and substantial losses. Operational losses were impacted by inventory write-downs, and there also was a substantial tax adjustment, which resulted in an additional non-operating loss.

Rapidly changing technology marks the telecom business making it difficult to maintain appropriate inventory levels, without risking the possibility that inventory values can deteriorate unexpectedly at each new technological advance. Those new products are both the reason for growth and sometimes the reason for inventory obsolescence. Over just the past few years we have gone from single mode analog technology through dual and tri mode, 1X, color screens and now camera phones.

Inventory management is a primary objective as we strive to keep inevitable losses caused by fast paced technology at a minimum. Our current inventory positions are at acceptable levels, and we believe we are poised to see sales improvements in the second half of this year, as exciting new model introductions take place.



John J. Shalam

*"We are committed to increasing brand recognition and will continue to aggressively support the Audiovox brand, and as always, every employee of this corporation remains committed to maximizing profits and increasing shareholder value."*

During the fiscal year 2002, we were pleased to conclude negotiations with Toshiba, which resulted in a 20% increase in their investment in our wireless subsidiary. As a result, ACC has strengthened its relationship with a premier technology partner that should help us as the new exciting 3G products materialize.

Audiovox Electronics Corp. (AEC) provided the bright spot of our 2002 fiscal year performance. In spite of the continuing soft economy our electronics subsidiary, AEC reported growth of 25% with sales of our mobile video and consumer products leading the way. In particular, sales of our portable DVDs have been strong and I anticipate the consumer category, marked by our entrance into flat panel products and new DVDs to be major contributors to our 2003 performance.

I am pleased with our relationships with mass merchants, retailers and OEM's as well as the marketing partnerships we are developing with strong consumer brands, such as Disney, Hertz and most recently Eddie Bauer. During fiscal 2002, we acquired the assets of Code Alarm, Inc., a premier manufacturer of vehicle security products, which will help increase market share in security where we are already a dominant factor. In all, 2002 was our electronics subsidiary's best year in terms of product demand, sales and profits and while the overall economy remains a concern, at this moment we believe 2003 will continue the upward trend.

Despite the current challenging economic environment, Audiovox Corporation has sound fundamentals and a strong balance sheet and we continue to develop new products with high levels of consumer acceptance. We intend to use this strength to grow this company both through new products and potential acquisitions. We remain committed to improving shareholder value. Our company has faced adversity before and despite difficult times has grown, diversified and expanded. We will remain focused on growing this company by conquering the challenges of today as we plan for a strong tomorrow.

Sincerely,



**John J. Shalam**

*Chairman and Chief Executive Officer*



## FOCUS

A solid strategy in place to  
*strengthen*



For Audiovox Communications Corporation (ACC), 2002 brought the evolution of the domestic wireless industry to 3G technology platforms, further integration of wireless voice and data technologies and continued business challenges. Audiovox kept pace with the wireless industry, yet that pace was slowed industry-wide due to sluggish economic conditions, the ominous specter of looming war with Iraq and ongoing efforts against terrorism.

The effect of the economic and business slowdown was exacerbated by a series of product delivery problems from ACC's vendors, resulting in a decrease in sales. The Company has diligently worked with its supplier group to develop a strategy that will resolve and rectify the situation. This plan is currently in place and has shown itself to be effective.

Still, ACC did move forward during 2002, scoring a number of achievements that included product and technology introductions, the opening of new markets, and the strengthening of relationships with some of the world's leading wireless carriers and wireless device makers. Relationships with manufacturers such as Toshiba, Curitel, Sharp and HTC position ACC to maximize marketplace opportunities as they present themselves. In fact, Toshiba, one of the industry's most respected manufacturers, increased its investment in ACC to a full 25% in 2002, and Audiovox now offers product to selected carriers under the Toshiba, as well as the Audiovox, brand name.

A number of "firsts" marked 2002 at ACC, as it became the first in the U.S. to introduce a GPS-capable phone, a Pocket PC with embedded wireless voice and data, a BREW-capable handset and a TFT color display handset. In addition to these accomplishments, Audiovox joined in the nationwide launches of 1X



our communications division

networks for Verizon Wireless and Sprint PCS, providing handsets and Pocket PC devices that meet the specific needs of these next-generation networks and their subscribers. ACC also expanded distribution throughout Latin America and Canada with significant contracts with Bell Mobility and TELUS Mobility, Canada's primary telecommunications service providers. We fully expect to expand our offerings to these customers in the years ahead.

Fueled by our first-to-market shipments of tri-mode, Web browsing wireless phones, Audiovox handset sales for 2002 totaled 4.9 million units and \$727.7 million.

ACC also built upon the 2001 launch of its popular Maestro Pocket PC by introducing one of the first personal digital assistants that integrated high-speed 1X wireless data, online and voice communications with the processing functionality of a state-of-the-art Pocket PC. Packaged in a single, handheld unit about the size of a 3"x5" index card the Audiovox Thêra/2032 broke new ground for Audiovox and wireless carriers.

During 2002, ACC made inroads into the international marketplace as well, introducing the world's first GSM/GPRS Compact Flash (CF) card that enables GSM subscribers to convert a handheld Pocket PC or PDA into a wireless communications device that facilitates voice communications and high-speed, GPRS data transmission.

The wireless industry is evolving with record speed. The market life of a wireless handset has been reduced from 24 months to less than one year. We know that to continue keeping pace, Audiovox must lead the way not only in wireless product design and technology, but also in its ability to respond to market conditions, assure timely product delivery and manage inventory.

It's an exciting era in wireless telecommunications and Audiovox is committed to working with its manufacturing and carrier partners to meet the challenges that lie ahead. We invite you to join us as we strive to further connect the wireless world.

**Philip Christopher**  
President & Chief Executive Officer  
Audiovox Communications Corporation



"From entry-level handsets to sophisticated and powerful data and voice-capable Pocket PCs,  
Audiovox invites you to join us as we help connect everyone in this wireless world."





## PAT LAVELLE'S LETTER TO SHAREHOLDERS

### LEADERSHIP

As market leaders, we are able to provide  
*innovative*

products for our customers.

Fiscal 2002 was the most successful year in our history despite economic uncertainty, a weaker than expected holiday season, a dock strike and the normal challenges that surround the consumer and mobile electronics industries. We posted a sales increase of 25% over 2001 with most categories showing increases, especially mobile video, consumer electronics and vehicle security.

As a result of unsettled world events and a still uncertain economy, it is a difficult time to predict what will happen in 2003, but our focus remains unchanged. Our intention is to continue the momentum achieved in 2002 to maintain and/or increase our leadership position and market share in our more mature product lines. In addition, we plan to increase growth by exploring new market opportunities and introducing several new products that have been developed as a logical expansion of the Company's success. As the number one supplier of mobile video products and a market leader in portable DVD and under-counter TV, we have identified opportunities for expansion into the home flat panel TV market. Consumer response to our higher end mobile entertainment systems has been very strong and we believe that this consumer confidence in the Audiovox brand will transfer to the home market. To that end, plans for 2003 include the expansion of our video line into LCD TVs and High Definition LCD TVs in the 10-inch to 30-inch category.

Another new market entry for Audiovox will be cordless telephones where we will introduce several 2.4 and 5.8 GHz models, featuring user-friendly features and eye-appealing cosmetics, all digital, all

performance-oriented. Audiovox is no stranger to the communications industry and we believe this new category will meet with strong consumer acceptance.

In addition to the emphasis on new markets, we will direct considerable attention to developing marketing partnerships with major well-known consumer brands. We have just completed a successful co-promotion with Buena Vista Home Entertainment that included free Disney titles on VHS or DVD with the purchase of Audiovox mobile video systems. Our plan is to expand the Disney relationship in 2003. Recently we launched an Eddie Bauer by Audiovox line of mobile video products for sale exclusively at Target stores. In satellite radio, Audiovox has partnered with Sirius Satellite Radio to supply our satellite radio system in Hertz rental vehicles, and these are just a few of the programs in place and in the works.

We expect to see growth in our core businesses this year as well. In mobile video, we have introduced patented overhead built-in DVD systems and our "Video-In-A-Bag" line now includes a first-to-market system with both DVD and VCP capability, played







## ELECTRONICS

“Audiovox has changed. Expansion into new product categories is the philosophy that has allowed us to grow very rapidly in recent years.”



simultaneously. There is nothing like it in the market today. The Company's auto security line will feature new Two-Way Remote Start Alarm Systems and vehicle tracking systems designed for both the car dealer and retail market. GMRS two-way radio products will focus on creative design as in our wristwatch unit and advanced technology with extended range and more sophisticated features like GPS capability, NOAA weather alert and tracking.

Audiovox has changed. Expansion into new product categories is the philosophy that has allowed us to grow very rapidly in recent years. By continuing to market high-quality products and supporting them with good quality control and technical service, we come closer to our goal of making every consumer a permanent Audiovox fan regardless of demographic. In addition, we plan to continue to explore tactical acquisitions such as the one we made by purchasing the assets of Code Alarm Inc. this past year. That acquisition allowed us to increase our market share in the vehicle security and remote start industry. We view similar acquisitions as additional strategies for future growth.

We share the concerns of all corporations that a strong economy will take hold soon and that recent signs that consumer confidence is improving will continue. No doubt there will be unforeseen obstacles in 2003 and we will have to adjust, but our Company is strong and healthy and our game plan is sound. We believe all of the marketing elements necessary for continued success are in place. We have retailer-friendly programs and price points, exciting products and packaging, and strong customer service, but most significant is that Audiovox products remain the best value for the consumer's electronics purchase dollars. We expect 2003 to be an exciting year.

Sincerely,

**Patrick M. Lavelle**

*President and CEO, Audiovox Electronics Corp.*

## C O N T R O L

Building on a proven past

*optimistic* for a promising future

8

Like the year prior, fiscal 2002 was challenging in that economic and political conditions around the world continued to impact overall market demand and adversely sway consumer purchasing patterns. Nevertheless, we enter our fiscal year 2003 in sound financial shape, with a strong balance sheet, relatively little debt and the financial facilities in place to allow for growth in the upcoming year.

In March 2002, our Electronics group, Audiovox Electronics Corp. (AEC) acquired the assets of Code Alarm Inc., further strengthening our position in the automotive security aftermarket. And in May 2002, Toshiba Corporation increased its minority interest in our wireless subsidiary, Audiovox Communications Corp. (ACC) to 25% for \$24 million, thus strengthening our financial position.

In accordance with new rules and regulations instituted by the Securities and Exchange Commission (SEC) and Nasdaq National

Market®, we have expanded our levels of disclosure and are working diligently to ensure corporate governance is of the utmost importance. In response to proposed rules implementing sections of Sarbanes-Oxley, the company established committees to review internal controls over financial reporting to ensure consistent, credible and transparent reporting.

We anticipate a return to profitability and for business to improve in the second half of our fiscal year 2003, driven primarily by new products in our wireless division and the continued strength of our consumer and automotive electronics products. Audiovox is positioned to take advantage of improving conditions in the marketplace and we remain confident in our ability to identify growth opportunities and deliver results that will drive shareholder value over the long term.

Sincerely,



**C. Michael Stoehr**

Senior Vice President  
and Chief Financial Officer

**Audiovox Corporation**  
**Board of Directors and Officers**

**BOARD OF DIRECTORS**

**John J. Shalam**

Chairman 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 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, July 24, 2003 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**

G.W. Communications  
787 Seventh Ave.  
New York, New York 10019  
(212) 786-6011

**Analyst Coverage**

The Company is being followed by the brokerage firms Gerard, Klauer, Mattison & Co. and Spenser Clarke Securities. For more information contact G.W. Communications.

**Form 10-K**

Copies of the corporation's annual report on Form 10-K are available from:

Audiovox Corporation  
Stockholders' Relations at  
G.W. Communications  
787 Seventh Ave.  
New York, New York 10019

Audiovox Corporation is an  
Equal Opportunity Employer

Web Site: [www.audiovox.com](http://www.audiovox.com)

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 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 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 factors set forth herein, are detailed in the Company's Form 10-K for the fiscal fourth quarter and year ended November 30, 2002, the quarter ended February 28, 2003 and other documents filed with the SEC.





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Hauppauge, New York 11788  
(631) 231-7750