

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 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): July 10, 2007

AUDIOVOX CORPORATION  
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE  
(State or Other Jurisdiction of Incorporation)

0-28839  
(Commission File Number)

13-1964841  
(IRS Employer Identification No.)

180 Marcus Boulevard, Hauppauge, New York  
(Address of Principal Executive Offices)

11788  
(Zip Code)

(631) 231-7750  
(Registrant's Telephone Number, Including Area Code)

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 July 10, 2007, Audiovox Corporation (the "Company") issued a press release announcing its earnings for the three months ended May 31, 2007. A copy of the release is furnished herewith as Exhibit 99.1.

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Item 8.01 Other Events

On July 11, 2007, the Company held a conference call to discuss its financial results for the three months ended May 31, 2007. 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.

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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: July 11, 2007

By: /s/ Charles M. Stoehr  
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Charles M. Stoehr  
Senior Vice President and  
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release, dated July 10, 2007, relating to Audiovox Corporation's earnings release for the three months ended May31, 2007 (filed herewith).
99.2	Transcript of conference call held on July 11, 2007 at 10:00 am (filed herewith).

AUDIOVOX REPORTS FIFTEEN PERCENT SALES INCREASE  
IN ITS FISCAL 2008 FIRST QUARTER

HAUPPAUGE, NY, July 10, 2007 - Audiovox Corporation (NASDAQ: VOXX) today announced results for its fiscal 2008 first quarter ended May 31, 2007. The Company reported net sales for the fiscal 2008 first quarter of \$128.3 million, an increase of 15.2% compared to \$111.3 million reported in the comparable prior year quarter. Net income was \$2.2 million or \$0.10 per diluted share compared to net income of \$1.5 million or \$0.07 per diluted share in the fiscal 2007 first quarter.

As of March 1, 2007, the Company changed its reporting structure to reflect its new realignment and will now be reporting consolidated net sales by two product categories, Accessories and Electronics.

Accessories sales increased approximately 743.8% to \$33.3 million in the fiscal 2008 first quarter, up from \$3.9 million in the similar period last year. This increase was due to incremental sales generated from the recently acquired Thomson and Oehlbach operations. As a percentage of net sales, accessories represented 25.9% compared to 3.5% in the fiscal 2007 first quarter. The Company expects accessory sales to represent a higher percentage of total net sales as compared to the prior year.

Electronics sales, which include both mobile and consumer electronics were \$95.0 million, a decrease of 11.5% compared to \$107.4 million reported in the three-month period ended May 31, 2006. This decline was due to lower sales of consumer goods, primarily LCD TVs and portable DVDs. Impacting these two categories were shortages of flat panel displays, which has been experienced industry-wide. Offsetting these declines were improved year-over-year sales in the Jensen Mobile, Phase Linear and Satellite Radio product lines. Electronics sales represented approximately 74.1% of net sales in the fiscal 2008 first quarter compared to 96.50% in the similar period last year.

Gross margins for the period ended May 31, 2007 were 18.1%, in line with the prior year period. Gross margins this quarter were favorably impacted by higher margins associated with the recently acquired accessories companies as well as improved margins in the Company's core electronic products offering. Offsetting these improvements were higher warehouse and assembly costs necessary to facilitate the newly acquired accessories companies as well as increased inventory provisions related to the recent acquisitions and higher product and warranty repair costs in the Electronics group.

Operating expenses were \$24.8 million as compared to \$20.2 million in the comparable fiscal 2007 quarter, up 22.9%. This increase of \$4.6 million is due to the recently acquired Thomson and Oehlbach operations, which had total operating expenses of \$5.5 million for the three months ended May 31, 2007.

Audiovox Reports Fiscal 2008 First Quarter Results

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Net income from continuing operations for the fiscal 2008 first quarter was \$121,000 or \$0.01 per diluted share. This compares to net income from continuing operations of \$1.8 million in the fiscal 2007 first quarter. Net income from discontinued operations was \$2.1 million or \$0.09 per diluted share compared to a net loss of \$260,000 or a loss of \$0.01 per diluted share in the comparable quarter. The increase in income from discontinued operations is due to the settlement of the derivative action which resulted in pre-tax income of \$3.3 million. The weighted average diluted common shares outstanding for the 2008 fiscal first quarter were 22,847,113 compared to 22,548,039 in the similar period last year.

Patrick Lavelle, President and CEO of Audiovox stated, "I am particularly encouraged by the performance of our Accessories Group and the progress we have made in our realignment efforts. While the impact of our efforts is not fully reflected in our first quarter performance, given higher costs associated with the transition, we fully expect that the addition of the accessories product lines, both domestically and internationally, will have a positive impact to our top and bottom line performance this fiscal year."

Lavelle continued, "Industry wide shortages of flat panel displays are a concern today and market challenges remain. Our sales this quarter were impacted by supply issues and we expect this to continue for the foreseeable future."

However, we have seen strong demand for our satellite radio, mobile multi-media and Phase Linear products and have seen an increase in gross margins across many consumer and mobile electronics offerings. When you add our Accessories to the mix, and given the strong support we've received from our customers and partners, we believe we are on track to post increased sales, higher gross profit margins and better bottom-line results compared to last year."

#### Conference Call Information

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The Company will be hosting its conference call tomorrow morning on Wednesday, July 11, 2007 at 10:00 a.m. EDT. Interested parties can participate by visiting the Company's website, [www.audiovox.com](http://www.audiovox.com), and clicking on the webcast in the Investor Relations section. For those who will be unable to participate, a replay has been arranged and 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  
Access Code: 28493994

#### About Audiovox

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Audiovox Corporation is a leading international supplier and value added service provider in the consumer electronics industry. The Company conducts its business through subsidiaries and markets mobile and consumer electronics and accessories products both domestically and internationally under several of its own brands. It also functions as an OEM (Original Equipment Manufacturer) supplier to a wide variety of customers, through several distinct distribution channels. For additional information, please visit Audiovox on the Web at <http://www.audiovox.com>.

Safe Harbor Language

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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 statements. 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; 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, 2007.

Company Contacts

Glenn Wiener

GW Communications for Audiovox

Tel: 212-786-6011 or Email: [gwiener@GWcco.com](mailto:gwiener@GWcco.com)

- Tables to Follow -

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

May 31, 2007	February 28, 2007	2007
-----		
(unaudited) Assets		
Current assets: Cash and cash equivalents	\$ 15,461	\$ 15,473
Short-term investments	108,658	140,872
Accounts receivable, net	109,833	86,003
Inventory	116,724	104,972
Receivables from vendors	15,754	13,935
Prepaid expenses and other current assets	15,556	11,427
Income tax receivable	2,769	3,518
Deferred income taxes	2,489	2,492
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Total current assets	387,244	378,692
Investment securities	14,062	13,179
Equity investments	12,037	11,353
Property, plant and equipment, net	19,668	18,019
Goodwill	24,202	17,514
Intangible assets	57,914	57,874
Deferred income taxes	2,438	1,858
Other assets	616	631
-----	-----	-----
Total assets	\$518,181	\$499,120
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Audiovox Corporation and Subsidiaries  
Consolidated Balance Sheets (continued)  
(In thousands, except share data)

May 31,	February 28,	2007	2007		
(unaudited) Liabilities and Stockholders' Equity Current					
liabilities: Accounts payable					
				\$	
38,593	\$ 34,344	Accrued expenses and other current liabilities			
		30,001	26,564	Accrued sales	
incentives					
	10,438	7,410	Bank obligations		
	3,533	2,890	Current portion of long-term debt		
				1,626	1,524
	----- Total current liabilities				
				84,191	72,732
	Long-term debt				
	4,929	5,430	Other tax liabilities		
					4,171
			3,347	Capital lease obligation	
					5,660
			5,676	Deferred compensation	
					8,482
	7,573	----- Total liabilities			
107,433	94,758	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,					
	22,336,546	and 22,005,346	shares issued,	20,643,499	and
	20,312,299	shares outstanding at	May 31, 2007	and	February 28,
		2007, respectively		223	220
				Class B	
				convertible, \$.01 par value;	10,000,000
				shares authorized,	
				2,260,954	shares issued and outstanding
				22	22
				Paid-in capital	
	274,464	271,056	Retained earnings		
	153,462	151,363	Accumulated other comprehensive loss		
				(444)	(1,320)
				Treasury	
				stock, at cost, 1,693,047	shares of Class A common stock
				(16,979)	(16,979)
	----- Total				
	stockholders' equity				
					410,748
	404,362	----- Total liabilities and			
	stockholders' equity				\$
	518,181	\$ 499,120	=====	=====	



Audiovox Corporation and Subsidiaries  
Consolidated Statements of Operations  
For the Three Months Ended May 31, 2007 and 2006  
(In thousands, except share and per share data)  
(unaudited)

	2007	2006	
			Net sales
	\$ 128,254	\$ 111,299	Cost of sales
	105,065	91,200	Gross profit
	23,189	20,099	Operating expenses: Selling
			8,797 7,061 General and administrative
			13,699 11,325 Engineering and technical support
			2,262 1,765
			Total operating expenses
			24,758 20,151
			Operating loss
			(1,569) (52) Other income (expense): Interest and bank charges
			(667) (560) Equity in income of equity investees
			942 948 Other, net
			1,467 1,921 Total other income
			1,742 2,309
			Income from continuing operations before income taxes
			173 2,257 Income tax expense
			52 475
			Net income from continuing operations
			121 1,782 Net income (loss) from discontinued operations, net of tax
			(260) Net income
	\$ 2,232	\$ 1,522	Net income (loss) per common share (basic): From continuing operations
			\$ 0.01 \$ 0.08 From discontinued operations
			0.09 (0.01)
			Net income per common share (basic)
			\$ 0.10 \$ 0.07
			Net income (loss) per common share (diluted): From continuing operations
			\$ 0.01 \$ 0.08 From discontinued operations
			0.09 (0.01)
			Net income per common share (diluted)
			\$ 0.10 \$ 0.07
			Weighted-average common shares outstanding (basic)
			22,775,052 22,369,348
			Weighted-average common shares outstanding (diluted)
			22,847,113 22,548,039

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Jul. 11. 2007 / 10:00AM ET, VOXX - Q1 2008 Audiovox Corporation Earnings  
Conference Call  
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Conference Call Transcript

VOXX - Q1 2008 Audiovox Corporation Earnings Conference Call

Event Date/Time: Jul. 11. 2007 / 10:00AM ET  
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CORPORATE PARTICIPANTS

Glenn Wiener  
Audiovox Corporation - IR

Patrick Lavelle  
Audiovox Corporation - President & CEO

Michael Stoehr  
Audiovox Corporation - SVP & CFO

PRESENTATION

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Operator

Good day, ladies and gentlemen, and welcome to the first-quarter 2008 Audiovox Corporation earnings conference call. My name is Lauren, and I will be your coordinator for today. At this time, all participants are in a listen-only mode. We will conduct a question-and-answer session towards the end of this conference. (OPERATOR INSTRUCTIONS). As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the presentation over to your host for today's call, Mr. Glenn Wiener, Investor Relations.

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Glenn Wiener - Audiovox Corporation - IR

Thank you, and good morning, and welcome to Audiovox's fiscal 2008 first-quarter results conference call for the period ended May 31, 2007. As the operator mentioned, today's call is being webcast on the Company's website, [www.Audiovox.com](http://www.Audiovox.com), under the Investor Relations section, and a replay has been arranged for those who are unable to participate.

Fiscal first-quarter results were released after market close yesterday, and if you do not receive a copy of the announcement, you can obtain one by visiting the Company's website. Additionally, our Form 10-Q was filed yesterday and can be found on our website under our SEC filings.

Speaking from management this morning will be Patrick Lavelle, President and CEO; and Michael Stoehr, Senior Vice President and Chief Financial Officer. Both will be making opening remarks before opening up the call to your questions.

Before getting started, I would like to read our Safe Harbor language. Except for historical information contained herein, statements made on today's call and on today's webcast that would constitute forward-looking statements may involve certain risk 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. The following factors, among others, may cause actual results to differ materially from the results suggested in the forward-looking statements.

These factors include, but are not limited to, risks that may result in changes in the Company's business operations, our ability to keep pace with technological advances, significant competition in the mobile and consumer electronic businesses and accessory business, relationships with key suppliers and customers, quality and consumer acceptance of our newly introduced products, market volatility, nonavailability of products, excess inventory, price and product competition, new product introductions and the possibility that a review of our prior filings by the SEC may result in changes to our financial statements. And the possibility that stockholders regulatory or regulatory

authorities may initiate proceedings against Audiovox and/or our officers and directors as a result of any numerous statements or other actions.

Risk factors with our business, including some of the factors set forth herein, are detail in the Company's Form 10-K for the period ended February 28, 2007. Thank you again for your participation, and at this time I would like to turn the call over to Patrick Lavelle, President and CEO of Audiovox. Patrick.

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Patrick Lavelle - Audiovox Corporation - President & CEO

Thank you, Glenn, and good morning, everyone, and welcome to our first-quarter conference call. What I will do today is provide an overview of our first-quarter results and discuss some of the quarter's activities and what we believe will be the key drivers for the balance of the year.

Yesterday we reported sales of \$128 million, an increase of approximately 15% over first quarter last year, and net income of \$0.10 per share. As I discussed on last quarter's call, we had a number of initiatives in place, the largest being the final transition of the RCA accessory and Oehlbach accessory businesses. During the quarter we exited the Thomson's facilities and moved the Indiana, Florida, California, and Canadian warehouses, the Indiana, Toronto, Miami, Hong Kong and Malaysian offices, and moved all management systems, invoicing, collections and warehousing, onto the Audiovox IT framework.

At this time, we have completely separated from Thomson, and although this was a monumental task and not without its bumps and bruises, I am happy to report all logistical services are up and order shipping and deliveries are caught up and on time. Final EDI connection with remaining accounts will be completed by the end of July.

Transition expenses of approximately \$2 million impacted earnings for the quarter. However, this was fully expected. First-quarter accessory sales were also impacted as a portion of orders were moved into the second quarter because of the postponement of shipments due to the warehouses moves. There will be some incremental transitional expenses occurring in the second quarter, but the bulk of the transition and related expenses are behind us, and we should start to see a normalization of overhead within the accessory group as we move into the second quarter.

Sales of accessories were up approximately \$29 million over the first quarter last year due to the acquisitions, and both groups are performing well. We anticipate them to be strong contributors to our overall profitability for the balance of the year.

Electronic sales were down approximately 11%, and this decline was primarily in consumer goods as we saw lower sales of LCD TV and portable DVD products, as well as lower ASPs this quarter versus last. As mentioned in our press release, an industrywide shortage of LCD panels has affected LCD TV and portable DVD sales and has also limited the number of digital picture frames we were able to receive in the quarter. On the bright side, prices for LCD panels in all sizes are stabilizing due to these shortages, and we expect the severe price erosion that we have experienced in years passed to lessen. However, we are still taking a cautious approach as shortages will have an impact on shipments through the balance of the year.

Our mobile offering also relies on flat-panel screens, and our business this quarter was also impacted to a degree. However, overall our mobile electronic sales fared better compared to last year, thanks to stronger sales of our audio products. Jensen Mobile Multimedia continues to achieve sales targets with sales and profits up year-over-year. According to NPD Techworld, Jensen Mobile Multimedia products are the number one and two selling products in this category in the US.

Additionally, XM sales continue to improve, and I fully expect Audiovox to be the number one provider of aftermarket products for XM this year. Our XM Xpress continues to perform well, and we have recently begun shipment of our new XM EZ and Xpress Replay.

During the first quarter, we began shipping small quantities of our Jensen Nav 1000, a combination GPS and XM plug-and-play combination unit. This product is unique to the market as it is a portable GPS with XM live traffic built in an XM plug-and-play unit that accesses all XM channels, and a personal media player that will play MP4 and coded movies. Retailing at \$699, we expect this unit to lead the way for Audiovox's entrance into the hot GPS market.

As usual, we have introduced a number of new products in each mobile category that will help continue to improve gross margins. One of the most noteworthy is in August, production commences for our first bidirectional transmitter for GM's remote starters. Our 2007 collision avoidance line was placed in one of our largest retailers, and we expect Audiovox to be the dominant supplier for this category.

We plan to introduce our new HD car audio models later in the second quarter, as well as a car dealer line of multimedia products under the Advent brand.

Our international sales were up 20% over last year, helped by the Oehlbach acquisition. We have recently been awarded the audio contract for GM Venezuela Aveo and Spark, which will start in October. We continue to post strong margins and profits, and I'm quite pleased with our international performance and prospects.

Overall, our gross margins came in at 18.1, which is in line with our expectations. Looking ahead, we expect to see an improvement in our GP as new products arrive for the balance of the year. We have worked hard to realign our organization and reduce costs. Our overhead was down \$1 million last fiscal year, and without the increases for the Thomson and Oehlbach business units, our core overhead was down another \$1 million in the first quarter of 2007. This again is in line with our plan.

The initiatives that we have taken to improve efficiencies that I discussed last quarter are on target. Our return processing management system was turned on in the first quarter, and the new Jensen website was activated at the end of June as planned. We will continue to roll out new programs to maximize efficiencies throughout the balance of the year.

Our restructuring plan, as I had indicated, has essentially been completed. And while we are not in the habit of giving guidance, I would like to address some topside numbers with you. We expect sales to exceed \$600 million this fiscal year, which would represent more than a 30% increase over last year. We also expect to report an increase in our margins. In fiscal 2006, our GP was 11.5%. It was 17.4% in fiscal 2007, and 18.1% in this past quarter. We are trending upward, and I expect this to continue.

As far as our plan for additional acquisitions, we are active and we will continue to make strategic acquisitions that will generate better returns and profits. We exit the first quarter with little debt and with \$120 million in cash to execute our plans. I believe we are positioned not only to run our existing and newly acquired businesses more efficiently today, but also to assimilate synergistic acquisitions with little overhead increases.

We have many new product launches scheduled as we move into the big retail selling season, and I can assure you the Company is focused on maximizing profitability and shareholder value. I would like to thank you for your time and support.

I will now turn the call over to Michael, and then we will open it up for some questions.

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Michael Stoehr - Audiovox Corporation - SVP & CFO

Thanks, Pat. Good morning, everyone. Consolidated sales for the first quarter were \$128.3 million compared to \$111 million last year, an increase of 15.2%. As Pat had mentioned, we are now reporting product sales class information of Audiovox in electronics and accessories, since these are our two primary groups. Electronics is comprised of both mobile and consumer sales, and Accessories consist of our new acquisitions, RCA and Oehlbach, as well as sales from our existing Terk product lines. We have outlined the various products in this group in our current 10-Q.

Electronic sales were \$95 million compared to \$107 million in the fiscal first quarter last year, or down approximately 11.5%. Sales were lower primarily due to two factors, continued sales declines of consumer goods and lower sales of mobile video products. Our CC sales were down approximately \$11.6 million, which was expected as we continue to pass on high-volume, low-margin sales for higher-margin product sales. Our video sales were down \$4.7 million as the flat panel shortage Pat discussed impacted our top-line performance spirit.

While our sales in these categories were off, it is important to note that product margins have improved here compared to the prior years. Offsetting these declines was a \$7.2 million increase in audio sales as a result of higher sales volume of Jensen Mobile, Phase Linear, and our Satellite Radio product lines. As a percentage of net sales, Electronics represented 74.1% compared to 93% last year.

Accessories sales were \$33.3 million this quarter compared to \$3.9 million in the comparable period. The increase in sales is related to our acquisitions of RCA and Oehlbach, which were both acquired earlier this year. Sales last year were from the Terk group. Moving forward, we expect Accessories sales to represent a higher percentage of total net sales.

Gross margins were 18.1% this quarter, the same as we reported last year. We would like to point out that our product margins, which are sales revenue minus our cost of product, increased from 25% to 29% this quarter. This was a result of our newly-acquired Accessories sales which have higher margins, as well as increased product margins in our Electronics business.

Additional costs which impacted gross margins such as freight to customers, warehousing and other costs increased, mainly as a result of the transitional expenses which for the quarter were approximately \$2 million. A portion of these transitional expenses were the result of moving to three new warehouses and additional freight and handling costs involved moving the product to our new warehouses. We will see some remaining residual cost during the second quarter.

Consolidated overhead expenses for the quarter were \$24.8 million versus \$20.2 million in the first quarter last year. The increase in total operating expenses is related to our new acquisition of Thomson and Oehlbach, and certain incremental costs needed to successfully transition these operations. During the quarter we also had to change and set up three new office facilities. RCA and Oehlbach acquisitions combined had a total operating expense of \$5.5 million for the quarter.

Our operating expenses excluding these new acquisitions were down approximately \$1 million, principally in professional fees, employee salaries, and advertising expenses. Selling expenses were \$8.8 million compared to \$7.1 million in last year's first quarter. Most of this increase is related to the new acquisitions and the increase partially offset by lower advertising expenses. G&A expenses were up \$2.4 million again, as a result of the costs associated with the newly acquired RCA and Oehlbach, as well as a \$214,000 increase in bad debt -- provision for bad debt expenses related to increases in sales and AR balances.

Offsetting these increases was approximately a \$1 million benefit related to a call and put option granted to certain international employees as a result of the Oehlbach acquisition. G&A expenses also had reductions in professional fees and employee salary costs.

Engineering and tech support increased approximately \$0.5 million as a result of new product programs and the RCA acquisition. We reported consolidated net income of \$2.2 million or \$0.10 per share compared to consolidated net income of \$1.5 million or \$0.07 per share last year. Net income from continuing operations was 121,000 or \$0.01 versus 1.8 or \$0.08 a share last year, and net income from discontinued ops was \$2.1 million and \$0.09 versus a \$260,000 loss or \$0.01 a share. The increase in discontinued income was the result of the settlement of the derivative action in June 2007.

Our interest and bank charges increased \$107,000 to \$667,000 for the quarter, as a result of our assuming additional debt in connection with the Oehlbach acquisition of approximately \$850,000 and increased working capital needs for our foreign subsidiaries. We tend to finance our foreign subsidiaries in their host currency.

Other income declined due to lower interest income related to our short-term investments as we used a portion of this for the Oehlbach acquisition and financed additional AR inventory for increased sales of accessory and electronic products in the coming quarters.

The effective tax rate for the three months was 30% compared to 21% in the prior year. This should be a good number for modeling purposes throughout the fiscal year. Cash used in operations was approximately \$27 million as a result of increased AR and inventory balances. Our cash receivable turns were 5.3 this quarter versus 5.1. Our inventory turns were 3.9 versus 3.9. Our inventory balance as of May 2007 due to the acquisition was \$116 million versus \$105 million net at the end of our fiscal year. A majority of this increase in our inventory is related to the accessory group acquisitions.

Working capital was \$303 million with cash balances of \$124 million for the first-quarter 2008. This compares to working capital of \$306 million with cash balances of \$156 million as of February 28, 2007. This reduction was visibly related to the Oehlbach acquisition and increased working capital needs for anticipated revenue growth over the coming quarters.

Looking forward, as Pat had indicated earlier, we anticipate sales in excess of \$600 million, with Accessories comprising roughly \$200 million. Our first-quarter gross margin of 18.1% is in line with what we've been modeling, but there is a potential upside with new product introductions in our Electronic group plans starting this next quarter. And we expect Accessories to become a larger percentage of our total sales, which should positively impact our margins.

Operating expenses as a percentage of sales should decline beginning in the third quarter, as we have a large portion of fixed expenses which will be absorbed by the anticipated revenue increases. Lastly, we anticipate improvements in our income levels from continuing operations, as the changes we have implemented and discussed in our past calls take effect.

I will now turn the call back to Pat.

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Patrick Lavelle - Audiovox Corporation - President & CEO

Okay, thank you, Mike. And at this time, any questions?

QUESTION AND ANSWER

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Operator

(OPERATOR INSTRUCTIONS) There are currently no questions in the queue.

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Patrick Lavelle - Audiovox Corporation - President & CEO

Okay. Well, I want to thank you for joining us this morning. We are working hard as the entire company is working hard, as we had indicated, to meet the plans that we have set out for ourselves which we consider are aggressive, but we do believe that we will be successful in getting there. Once again, thank you for calling in and your support of Audiovox. Have a good day.

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Operator

This concludes the presentation. You may now disconnect, and have a great day.

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