

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

FORM 10-K

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

For the fiscal year ended November 30, 1997
Commission file number 1-9532

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

Delaware 13-1964841
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

150 Marcus Blvd., Hauppauge, New York 11788
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (516) 231-7750

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of Each Exchange on Which Registered
Class A Common Stock \$.01 par value	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days.

Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Sec 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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The aggregate market value of the voting stock held by non-affiliates of the registrant was \$83,945,514 (based upon closing price on the American Stock Exchange, Inc. on February 18, 1998).

The number of shares outstanding of each of the registrant's classes of common stock, as of February 18, 1998 was:

Class	Outstanding
Class A Common Stock \$.01 par value	17,253,533
Class B Common Stock \$.01 par value	2,260,954

PART I

Item 1 - Business

General

Audiovox Corporation, together with its operating subsidiaries

(collectively, the Company), markets and supplies, under its own name or trade names, a diverse line of aftermarket products which include wireless products, both hand held portables and vehicle installed cellular telephones and accessories, automotive sound equipment and automotive accessories, which includes vehicle security systems, cruise controls, defoggers, remote start systems and vehicle tracking systems, all of which are designed primarily for installation in cars, trucks and vans after they have left the factory, and consumer electronic products.

The Company's products are sold through a worldwide distribution network. Sales are made directly and indirectly through independent distributors to cellular telephone accounts, cellular service providers, regional Bell Operating Companies (BOCs), new car dealers, mass merchandisers, catalogue showrooms, original equipment manufacturers (OEMs), military Army and Air Force Exchange Systems (AAFES), autosound specialists and retailers. The Company sells to consumers from Company-owned retail sales and service locations which generally operate under the name "Quintex", and also receives activation commissions and residuals from certain cellular service providers.

The Company's products may be broadly grouped into three major categories: wireless, which includes cellular telephone products, activation commissions and residual fees; automotive sound equipment; and automotive accessories. These categories represent different product lines rather than separate reporting segments. The Company's products are distributed by two separate marketing groups: Communications and Automotive.

The Company was incorporated in Delaware on April 10, 1987, as successor to the business of Audiovox Corp., a New York corporation founded in 1960 (the predecessor company) by John J. Shalam, the Company's President, Chief Executive Officer and controlling stockholder. Unless the context otherwise requires, or as otherwise indicated, references herein to the "Company" include the Company and its wholly-owned and majority-owned operating subsidiaries.

Trademarks

The Company markets products under several trademarks, including Audiovox(R), Custom SPS(R), Prestige(R), Pursuit(R), Minivox(TM), Minivox Lite(R), The Protector(TM) and Rampage(TM). The Company believes that these trademarks are recognized by customers and are therefore significant in marketing its products. Trademarks are registered for a period of ten years and such registration is renewable for subsequent ten-year periods.

Distribution and Marketing

Cellular and Non-Cellular Wholesale

The Company markets products on a wholesale basis to a variety of customers through its direct sales force and independent sales representatives. During the fiscal year ended November 30, 1997, the Company sold its products to approximately 2,500 wholesale customers, including the BOCs, other cellular carriers and their respective agents, mass merchandise chain stores, specialty installers, distributors, car dealers, OEMs and AAFES.

The Company's five largest wholesale customers (excluding joint ventures), who, in the aggregate, accounted for 30.6% of the Company's net sales for the fiscal year ended November 30, 1997, are AirTouch Cellular, Bell Atlantic Mobile Systems, US Cellular, C.R.M. Movicom and Vanguard Cellular. In addition, the Company also sells its non-cellular products to mass merchants such as Walmart Stores, Inc. and OEMs such as Chrysler of Canada, Proton Corporation Sdn. Bhd. of Malaysia, General Motors and Chrysler of Venezuela, General Motors Corporation and BMW of North America.

The Company uses several techniques to promote its products to wholesale customers, including trade and consumer advertising, attendance at trade shows and direct personal contact by Company sales representatives. In addition, the Company typically assists cellular carriers in the conduct of their marketing campaigns including the scripting of telemarketing presentations, funds

cooperative advertising campaigns, develops and prints custom sales literature and conducts in-house training programs for cellular carriers and their agents.

The Company believes that the use of such techniques, along with the provision of warranty services and other support programs, enhances its strategy of providing value-added marketing and, thus, permits the Company to increase Audiovox(R) brand awareness among wholesale customers while, at the same time, promoting sales of the Company's products to end users.

The Company's wholesale policy is to ship its products within 24 hours of a requested shipment date from public warehouses in Norfolk, Virginia, Sparks, Nevada and Canada and from leased facilities located in Hauppauge, New York and Los Angeles, California.

Retail

As of November 30, 1997, the Company operated approximately 26 retail outlets and licensed its trade name to 6 additional retail outlets in selected markets in the United States through which it markets cellular telephones and related products to retail customers under the names Audiovox(R), American Radio(R) and Quintex(R). In addition to Audiovox products, these outlets sell competitive products

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such as Motorola and Nokia.

The Company's retail outlets typically generate revenue from three sources: (i) sale of cellular telephones and related products, (ii) activation commissions paid to the Company by cellular telephone carriers when a customer initially subscribes for cellular service and (iii) monthly residual fees. The amount of the activation commissions paid by a cellular telephone carrier is based upon various service plans and promotional marketing programs offered by the particular cellular telephone carrier. The monthly residual payment is based upon a percentage of the customer's usage and is calculated based on the amount of the cellular phone billings generated by the base of the customers activated by the Company on a particular cellular carrier's system. Under the Company's six licensee relationships, the licensee receives the majority of the activation commissions, and the Company retains the majority of the residual fees. The Company's agreements with cellular carriers provide for a reduction in, or elimination of, activation commissions in certain circumstances if a cellular subscriber activated by the Company deactivates service within a specified period. The Company records an allowance to provide for the estimated liability for return of activation commissions associated with such deactivations. As a practical matter, the profitability of the Company's retail operations is dependent on the Company maintaining agency agreements with cellular carriers under which it receives activation commissions and residual fees.

The Company's relationships with the cellular carriers are governed by contracts that, in the aggregate, are material to the continued generation of revenue and profit for the Company. Pursuant to applicable contracts with cellular carriers, each of the Company's retail outlets functions as a non-exclusive agent engaged to solicit and sell cellular telephone service in certain geographic areas and, while such contract is in effect and for a specified period thereafter (which typically ranges from three months to one year), may not act as a representative or agent for any other carrier or reseller in those areas or solicit cellular or wireless communication network services of the kind provided by the cellular carrier in the areas where the Company acts as an agent. The Company's retail operation is free, at any time after the restricted period, to pursue an agreement with another carrier who services a particular geographic area. At present, each geographic area is serviced by several cellular carriers.

As of November 30, 1997, the Company was an agent for the following carriers in selected areas: Bell Atlantic Mobile Systems, Inc., BellSouth Mobility, Inc. and GTE Mobilnet of the Southeast, Inc. Dependant upon the terms of the specific carrier contracts, which typically range in duration from one year to five years, the Company's retail operation may receive a one-time activation commission and periodic residual fees. These carrier contracts provide the carrier with the right to unilaterally restructure or revise activation commissions and residual fees payable to the Company, and certain

carriers have exercised such right from time-to-time. Dependent upon the terms of the specific carrier contract, either party may terminate the agreement, with cause, upon prior notice. Typically, the Company's right to be paid residual fees ceases upon termination of an agency relationship.

Equity Investments

The Company has from time-to-time, at both the wholesale and retail levels, established joint ventures to market its products to a specific market segment or geographic area. In entering into a joint venture, the Company seeks to join forces with an established distributor with an existing customer base and knowledge of the Company's products. The Company seeks to blend its financial and product resources with these local operations to expand their collective distribution and marketing capabilities.

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The Company believes that such joint ventures provide a more cost effective method of focusing on specialized markets. The Company does not participate in the day-to-day management of these joint ventures.

As of November 30, 1997, the Company had a 30.8% ownership interest in TALK Corporation (TALK) which holds world-wide distribution rights for product manufactured by Shintom Co., Ltd. (Shintom). These products include cellular telephones, video recorders and players and automotive sound products. TALK has granted Audiovox exclusive distribution rights on all wireless personal communication products for all countries except Japan, China, Thailand, and several mid-eastern countries. The Company's 72%-owned subsidiary, Audiovox Communications (Malaysia) Sdn. Bhd. (Audiovox Communications), had a 29% ownership interest in Avx Posse (Malaysia) Sdn. Bhd. (Posse) which monitors car security commands through a satellite based system in Malaysia. As of November 30, 1997, the Company had a 20% ownership interest in Bliss-Tel Company, Limited, which distributes cellular telephones and accessories in Thailand. Additionally, the Company had a 50% non-controlling ownership in five other companies: Protector Corporation (Protector) which acts as a distributor of chemical protection treatments, Audiovox Specialized Applications, LLC (ASA), which acts as a distributor of televisions and other automotive sound, security and accessory products to specialized markets for recreational vehicles and van conversions, Audiovox Pacific Pty., Limited (Audiovox Pacific) which distributes cellular telephones and automotive sound and security products in Australia and New Zealand, G.L.M. Wireless Communications, Inc. (G.L.M.) which is in the cellular telephone, pager and communications business and Quintex Communications West, LLC, which is in the cellular telephone and communications business.

Customers

The Company had one customer, AirTouch Cellular, that accounted for more than 10% of the Company's net sales for fiscal 1997. AirTouch Cellular accounted for 11.3% of the Company's net sales for fiscal 1997.

Suppliers

The Company purchases its cellular and non-cellular products from manufacturers located in several Pacific Rim countries, including Japan, China, Korea, Taiwan and Singapore, Europe and the United States. In selecting its vendors, the Company considers quality, price, service, market conditions and reputation. The Company maintains buying offices or inspection offices in Taiwan, Korea and China to provide local supervision of supplier performance with regard to, among other things, price negotiation, delivery and quality control. The majority of the products sourced through these foreign buying offices are non-cellular.

Since 1984, the principal supplier of the Company's wholesale cellular telephones has been Toshiba Corporation (Toshiba), accounting for approximately 32%, 28% and 44% of the total dollar amount of all product purchases by the Company, during the fiscal years ended November 30, 1997, 1996 and 1995, respectively. Toshiba continues to sell products to the Company as an original equipment customer. In order to expand its supply channels and diversify its cellular product line, the Company sources cellular equipment from other manufacturers including, but not limited to, TALK. Purchases from TALK accounted for approximately 29%, 26% and 20% of total inventory purchases for the years

ended November 30, 1997, 1996 and 1995, respectively. Purchases of non-cellular products

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are made primarily from other overseas suppliers including Hyundai Electronics Inc. (Hyundai), Namsung Corporation (Namsung) and Nutek Corporation (Nutek). There are no agreements in effect that require manufacturers to supply product to the Company. The Company considers its relations with its suppliers to be good. In addition, the Company believes that alternative sources of supply are currently available.

Competition

The Company's wholesale business is highly competitive in all of its product lines, each competing with a number of well-established companies that manufacture and sell products similar to those of the Company. Specifically, the cellular market place is driven by current selling prices, which also affects the carrying value of inventory on hand. Additionally, the Custom SPS line competes against factory-supplied radios. Service and price are the major competitive factors in all product lines. The Company believes that it is a leading supplier to the cellular market primarily as a result of the performance of its products and the service provided by its distribution network. The Company's retail business is also highly competitive on a product basis. In addition, since the Company acts as an agent for cellular service providers, these cellular service providers must also compete in their own highly competitive markets. The Company's retail performance is, therefore, also based on the cellular service providers' ability to compete.

Employees

At November 30, 1997, the Company employed approximately 1,018 people.

Executive Officers of the Registrant

The executive officers of the registrant are listed below. All officers of the Company are elected by the Board of Directors to serve one-year terms. There are no family relationships among officers, or any arrangement or understanding between any officer and any other person pursuant to which the officer was selected. Unless otherwise indicated, positions listed in the table have been held for more than five years.

Name	Age	Current Position
John J. Shalam	64	President and Chief Executive Officer and Director
Philip Christopher	49	Executive Vice President and Director
Charles M. Stoehr	51	Senior Vice President and Chief Financial Office and Director
Patrick M. Lavelle	46	Senior Vice President and Director
Chris L. Johnson	46	Vice President, Secretary
Ann M. Boutcher	47	Vice President and Director
Richard Maddia	39	Vice President and Director

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John J. Shalam has served as President and Chief Executive Officer and as a director of the Company since 1960. Mr. Shalam also serves as president and is a director of most of the Company's operating subsidiaries.

Philip Christopher, Executive Vice President of the Company, has been with the Company since 1970 and has held his current position since 1983. Prior thereto, he was Senior Vice President of the Company. Mr. Christopher also has been a director of the Company since 1973 and, in addition, serves as President of Audiovox Communications Corp. and is an officer and a director of most of the Company's operating subsidiaries.

Charles M. Stoehr has been Chief Financial Officer of the Company since 1979 and was elected Senior Vice President in 1990. Mr. Stoehr has been a

director of the Company since 1987. From 1979 through 1990, Mr. Stoehr was a Vice President of the Company.

Patrick M. Lavelle has been a Vice President of the Company since 1982. In 1991, Mr. Lavelle was elected Senior Vice President, with responsibility for marketing and selling the Company's automotive accessory and automotive sound line of products. Mr. Lavelle was elected to the Board of Directors in 1993.

Chris L. Johnson has been a Vice President of the Company since 1986 and Secretary since 1980. Ms. Johnson has been employed by the Company in various positions since 1968 and was a director of the Company from 1987 to 1993.

Ann M. Boutcher has been a Vice President of the Company since 1984. Ms. Boutcher's responsibilities include the development and implementation of the Company's advertising, sales promotion and public relations programs. Ms. Boutcher was elected to the Board of Directors in 1995.

Richard Maddia has been a Vice President of the Company since 1991. Mr. Maddia is responsible for the Company's Management Information Systems for both the Company's distribution network and financial reporting. Mr. Maddia was elected to the Board of Directors in 1996.

Item 2 - Properties

As of November 30, 1997, the Company leased a total of thirty-four operating facilities located in twelve states and two Canadian provinces. These facilities serve as offices, warehouses, distribution centers or retail locations. Additionally, the Company utilizes approximately 117,000 square feet of public warehouse facilities. Management believes that it has sufficient, suitable operating facilities to meet the Company's requirements.

Item 3 - Legal Proceedings

The Company is currently, and has in the past been, a party to routine litigation incidental to its business. The Company does not expect any pending litigation to have a material adverse effect on its consolidated financial position.

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Item 4 - Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 1997.

PART II

Item 5 - Market for the Registrant's Common Equity and Related Stockholder Matters

Summary of Stock Prices and Dividend Data

Class A Common Shares of Audiovox are traded on the American Stock Exchange under the symbol VOX. No dividends have been paid on the Company's common stock. The Company is restricted by agreements with its financial institutions from the payment of common stock dividends while certain loans are outstanding (see Liquidity and Capital Resources of Management's Discussion and Analysis). There are approximately 6,300 beneficial holders of Class A Common Stock and 4 holders of Class B Common Stock.

Class A Common Stock

Fiscal Period	High	Low	Average Daily Trading Volume
1997			

First Quarter	\$ 8 1/2	\$ 4 5/8	368,639
Second Quarter	7 7/8	4 15/16	171,733
Third Quarter	8 13/16	6 5/16	201,653
Fourth Quarter	10 3/4	7 5/16	131,779
1996			
First Quarter	\$ 6 3/8	\$ 43/4	15,924
Second Quarter	7 7/16	4 1/16	52,039
Third Quarter	6 5/16	4	16,309
Fourth Quarter	6 3/4	4 5/8	95,817
1995			
First Quarter	\$ 8 1/2	\$ 6 3/8	25,300
Second Quarter	7	5 1/16	13,500
Third Quarter	7 3/8	4 7/16	30,100
Fourth Quarter	6 13/16	4 3/8	21,600

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Item 6 - Selected Financial Data

Years ended November 30, 1997, 1996, 1995, 1994 and 1993

	1997	1996	1995	1994	1993
	-----	-----	-----	-----	-----
	(Dollars in thousands, except per share data)				
Net sales	\$ 639,082	\$597,915	\$500,740	\$486,448	\$389,038
Net income (loss)	21,022 (a)	(26,469) (b)	(11,883) (c)	26,028 (e)	12,224 (g)
Net income (loss) per common share, primary	1.09 (a)	(2.82) (b)	(1.31) (c)	2.86 (e)	1.35 (g)
Net income (loss) per common share, fully diluted	1.05 (a)	-	-	2.20 (e)	1.25 (g)
Total assets	289,827	265,545	308,428	239,098	169,671
Long-term obligations, less current in stallments	38,996	70,413	142,802	110,698 (f)	13,610 (h)
Stockholders' equity	187,892 (d)	131,499 (d)	114,595 (d)	92,034	65,793

- (a) Includes a pre-tax charge of \$12.7 million for costs associated with the exchange of \$21.5 million of subordinated debentures into 2,860,925 shares of common stock in addition to tax expense on the exchange of \$158,000. Additionally, includes a net gain of \$23.2 million on sale of CellStar shares.
- (b) Includes a pre-tax charge of \$26.3 million for costs associated with the exchange of \$41.3 million of subordinated debentures into 6,806,580 shares of common stock in addition to tax expense on the exchange of \$2.9 million.
- (c) Includes a pre-tax charge of \$2.9 million associated with the issuance of warrants, a pre-tax charge of \$11.8 million for inventory write-downs and the down-sizing of the retail operations and a pre-tax gain on the sale of an equity investment of \$8.4 million.
- (d) Includes a \$12.2 million unrealized gain on marketable securities, net, a \$773,000 unrealized gain on equity collar, net, and a \$20.8 million increase as a result of the exchange of \$21.5 million of subordinated debentures in 1997 and a \$10.3 million unrealized gain on marketable securities, net, and a \$34.4 million increase as a result of the exchange of \$41.3 million of subordinated debentures in 1996 and a \$31.7 million unrealized gain on marketable securities, net, for 1995.
- (e) Includes a cumulative effect change of (\$178,000) or (\$0.02) per share, primary, and (\$0.01) per share, fully diluted. Also includes a pre-tax gain on sale of an equity investment of \$27.8 million and a gain on public offering of equity investment of \$10.6 million.
- (f) Long-term debt includes the addition of a \$65 million bond offering in 1994.
- (g) Includes an extraordinary item of \$2.2 million or \$0.24 per share, primary, and \$0.22 per share, fully diluted.
- (h) Long-term debt does not include \$38.8 million of bank obligations which were classified as current.

Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations (In thousands, except share and per share data)

The Company markets its products under its own brand as well as private labels to a large and diverse distribution network both domestically and internationally. The Company's products are distributed by two separate marketing groups: Communications and Automotive. The Communications group consists of Audiovox Communications Corp. (ACC) and the Quintex retail operations (Quintex), both of which are wholly-owned subsidiaries of the Company. The Communications group markets cellular telephone products and receives activation commissions and residual fees from its retail sales. The price at which the Company's retail outlets sell cellular telephones is often affected by the activation commission the Company will receive in connection with such sale. The activation commission paid by a cellular telephone carrier is based upon various service plans and promotional marketing programs offered by the particular cellular telephone carrier. The monthly residual payment is based upon a percentage of the customer's usage and is calculated based on the amount of the cellular phone billings generated by the base of customers activated by the Company on a particular cellular carrier's system. The Automotive group consists of Audiovox Automotive Electronics (AAE) and, through February 28, 1997, Heavy Duty Sound, which are divisions of the Company, Audiovox Communications (Malaysia) Sdn. Bhd., Audiovox Holdings (M) Sdn. Bhd. and Audiovox Venezuela, C.A., which are majority-owned subsidiaries. Products in the Automotive group include automotive sound and security equipment, car accessories, home and portable sound products and mobile video. The Company allocates interest and certain shared expenses to the marketing groups based upon estimated usage. General expenses and other income items which are not readily allocable are not included in the results of the various marketing groups.

This Report on Form 10-K contains forward-looking statements relating to such matters as anticipated financial performance and business prospects. When used in this Report, the words "anticipates," "expects," "may," "intend" and similar expressions are intended to be among the statements that identify forward-looking statements. From time to time, the Company may also publish forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes that a variety of factors, including, but not limited to, foreign currency risks, political instability, changes in foreign laws, regulations, and tariffs, new technologies, competition, customer and vendor relationships, seasonality, inventory obsolescence and availability, could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements.

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

	Percentage of Net Sales		
	Years Ended November 30,		
	1997	1996	1995
	----	----	----
Net sales:			
Product sales:			
Cellular wholesale	61.1%	58.6%	52.3%
Cellular retail	1.0	1.3	2.8
Sound	14.4	16.4	20.3

Security and accessories	15.2	14.6	13.5
	-----	-----	-----
	91.7	90.9	88.9
Activation commissions	4.9	5.5	7.7
Residual fees	0.7	0.8	1.0
Other	2.7	2.8	2.4
	-----	-----	-----
Total net sales	100.0	100.0	100.0
Cost of sales	(83.3)	(83.9)	(85.9)
	-----	-----	-----
Gross profit	16.7	16.1	14.1
Warehousing and assembly	(1.9)	(1.8)	(2.0)
Selling	(6.0)	(6.7)	(6.9)
General and administrative expense	(5.8)	(5.4)	(7.2)
	-----	-----	-----
Total operating expenses	(13.7)	(13.9)	(16.1)
	-----	-----	-----
Operating income (loss)	3.0	2.2	(2.0)
Interest expense	(0.4)	(1.4)	(1.9)
Income of equity investments	0.2	0.1	-
Management fees	-	-	-
Gain on sale of equity investment	5.9	0.2	1.7
Debt conversion expense	(2.0)	(4.4)	-
Expenses related to issuance of warrants	-	-	(0.6)
Other income (expense)	-	(0.1)	(0.2)
Income tax (expense) recovery	(3.5)	(1.0)	0.6
	-----	-----	-----
Net income (loss)	3.3 %	(4.4) %	(2.4) %
	=====	=====	=====

FISCAL 1997 COMPARED TO FISCAL 1996
CONSOLIDATED RESULTS

Net sales were \$639,082 for 1997, an increase of \$41,167, or 6.9%, over the same period last year. The increase in net sales was accompanied by a corresponding increase in gross profit margins to 16.7% from 16.1% last year. Operating expenses increased to \$87,067 from \$83,313, a 4.5% increase. Operating income for 1997 was \$19,695, an increase of \$6,620, or 50.6%, compared to last year. During 1997, the Company sold 1,835,000 shares of its holdings of CellStar for a net gain of \$23,232. Also during 1997, the Company exchanged \$21,479 of its subordinated debentures for 2,860,925

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shares of Class A Common Stock. Costs associated with this exchange were \$12,844, including income taxes.

The net sales and percentage of net sales by product line and marketing group for the fiscal years ended November 30, 1997, 1996 and 1995 are reflected in the following table. Certain reclassifications have been made to the data for periods prior to fiscal 1996 in order to conform to fiscal 1997 presentation.

	Years Ended November 30,					
	1997		1996		1995	
	-----	-----	-----	-----	-----	-----
Net sales:						
Communications						
Cellular wholesale	\$390,230	61.1%	\$350,299	58.6%	\$261,997	52.3%
Cellular retail	6,280	1.0	7,665	1.3	14,177	2.8
Activation commissions	31,061	4.9	33,102	5.5	38,526	7.7
Residual fees	4,688	0.7	4,828	0.8	4,781	1.0
Other	12,141	1.9	12,785	2.1	11,293	2.3
	-----	-----	-----	-----	-----	-----
Total Communications	444,400	69.5	408,679	68.4	330,774	66.1
	-----	-----	-----	-----	-----	-----
Automotive						
Sound	91,763	14.4	98,303	16.4	101,757	20.3
Security and accessories	97,446	15.2	87,234	14.6	67,560	13.5
Other	4,701	0.7	2,879	0.5	649	0.1
	-----	-----	-----	-----	-----	-----
Total Automotive	193,910	30.3	188,416	31.5	169,966	33.9

Other	772	0.1	820	0.1	-	-
Total	\$639,082	100.0%	\$597,915	100.0%	\$500,740	100.0%

COMMUNICATION RESULTS

The Communications group is composed of ACC and Quintex, both wholly-owned subsidiaries of Audiovox Corporation. Since principally all of the net sales of Quintex are cellular in nature, all operating results of Quintex are being included in the discussion of the Communications group's product line.

Net sales were \$444,400, an increase of \$35,721, or 8.7%, over the same period last year. Unit sales of cellular telephones increased 892,000 units, or 43.2%, over 1996. Average unit selling prices decreased approximately 21.2% but were offset by a corresponding decrease of 22.9% in average unit cost. The number of new cellular subscriptions processed by Quintex decreased 9.1%, with a corresponding decrease in activation commissions of approximately \$2,041. The average commission received by Quintex per activation, however, increased approximately 3.2% from last year. Unit gross profit margins increased to 11.1% from 9.0% last year, primarily due to increased unit sales and reduced unit costs. Operating expenses decreased to \$49,582 from \$50,710. As a percentage of net sales, operating expenses decreased to 11.2% during 1997 compared to 12.4% in 1996. Selling expenses decreased \$3,203 from last year, primarily in advertising and divisional marketing, partially offset by increases in commissions and salesmen salaries. General and administrative expenses increased over

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1996 by \$572, primarily in office salaries and temporary personnel. Warehousing and assembly expenses increased over 1996 by \$1,503, primarily in tooling and direct labor. Pre-tax income for 1997 was \$11,582, an increase of \$8,476 compared to last year.

Though gross margins have improved over last year, management believes that the cellular industry is extremely competitive and that this competition could affect gross margins and the carrying value of inventories in the future.

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

COMMUNICATIONS

	1997		1996	
	-----		-----	
Net sales:				
Cellular product - wholesale	\$390,230	87.8%	\$350,299	85.7%
Cellular product - retail	6,280	1.4	7,665	1.9
Activation commissions	31,061	7.0	33,102	8.1
Residual fees	4,688	1.1	4,828	1.2
Other	12,141	2.7	12,785	3.1
	-----		-----	
Total net sales	444,400	100.0	408,679	100.0
Gross profit	66,117	14.9	60,245	14.7
Total operating expenses	49,582	11.2	50,710	12.4
	-----		-----	
Operating income	16,535	3.7	9,535	2.3
Other expense	(4,953)	(1.1)	(6,429)	(1.6)
	-----		-----	
Pre-tax income	\$ 11,582	2.6%	\$ 3,106	0.8%
	=====		=====	

AUTOMOTIVE RESULTS

Net sales increased approximately \$5,494 compared to last year, an increase of 2.9%. Increases were experienced in security and accessories and were partially offset by a decrease in sound products. A majority of the increase was from the group's international operations, both from an increase in existing business and the formation of a new subsidiary in Venezuela. Automotive sound decreased 6.7% compared to last year, due to the transfer of the Heavy Duty Sound division to a new joint venture. Excluding sound sales from the Heavy Duty Sound division for fiscal 1997 and 1996, sound sales decreased 0.6%. Automotive security and accessories increased 11.7% compared to last year, primarily due to increased sales in Prestige Security, Protector Hardgoods and alarms and video, partially offset by decreases in net sales of AA security and cruise controls. Gross margins increased to 20.8% from 18.9% last year. This increase was experienced in the AV and Private Label sound lines and cruise control, Protector Hardgoods and AA security accessory lines, partially offset by decreases in Prestige Security. Operating expenses increased to \$27,989 from \$25,559. Selling expenses increased over last year by \$1,151, primarily in our international operations, in commissions and advertising. General and administrative expenses increased over 1996 by \$1,512, primarily from our international operations, in occupancy,

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office expenses and bad debt expense. Warehousing and assembly expenses decreased from 1996 by \$233, primarily from the transfer of Heavy Duty Sound business to the new joint venture. Pre-tax income for 1997 was \$8,002, an increase of \$2,303 compared to last year. Without the transfer of the Heavy Duty Sound business, pre-tax income increased \$2,796 compared to 1996.

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

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

AUTOMOTIVE

	1997		1996	
	-----		-----	
Net sales:				
Sound	\$91,763	47.3%	\$98,303	52.2%
Security and accessories	97,446	50.3	87,234	46.3
Other	4,701	2.4	2,879	1.5
	-----	-----	-----	-----
Total net sales	193,910	100.0	188,416	100.0
Gross profit	40,326	20.8	35,622	18.9
Total operating expenses	27,989	14.4	25,559	13.6
	-----	-----	-----	-----
Operating income	12,337	6.4	10,063	5.3
Other expense	(4,335)	(2.2)	(4,364)	(2.3)
	-----	-----	-----	-----
Pre-tax income	\$ 8,002	4.1%	\$ 5,699	3.0%
	=====	=====	=====	=====

OTHER INCOME AND EXPENSE

Interest expense and bank charges decreased by \$5,938 for 1997 compared to 1996. This was due to reduced interest bearing debt and the decrease in interest bearing subordinated debentures which were exchanged for shares of common stock.

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Management fees and equity in income from joint venture investments increased by approximately \$651 for 1997 compared to 1996 as detailed in the following table:

	1997			1996		
	Management Fees	Equity Income (Loss)	Total	Management Fees	Equity Income (Loss)	Total
ASA	-	\$1,857	\$1,857	-	-	-
ASMC	-	-	-	-	\$ 948	\$ 948
G.L.M.	\$ 12	-	12	\$ 100	-	100
Pacific	-	(685)	(685)	22	(334)	(312)
Quintex West	-	-	-	18	-	18
Posse	97	187	284	46	17	63
	-----	-----	-----	-----	-----	-----
	\$ 109	\$1,359	\$1,468	\$ 186	\$ 631	\$ 817
	-----	-----	-----	-----	-----	-----

Audiovox Pacific has experienced an overall decline in gross margins, as the cellular market in Australia has experienced the same competitive factors as those in the United States.

During January 1997, the Company completed an exchange of \$21,479 of its subordinated debentures for 2,860,925 shares of Class A Common Stock (Exchange). As a result of the Exchange, a charge of \$12,686 was recorded. The charge to earnings represents (i) the difference in the fair market value of the shares issued in the Exchange and the fair market value of the shares that would have been issued under the terms of the original conversion feature plus (ii) a write-off of the debt issuance costs associated with the subordinated debentures plus (iii) expenses associated with the Exchange offer. The Exchange resulted in taxable income due to the difference in the face value of the bonds converted and the fair market value of the shares issued and, as such, a current tax expense of \$158 was recorded. An increase in paid in capital was reflected for the face value of the bonds converted, plus the difference in the fair market value of the shares issued in the Exchange and the fair market value of the shares that would have been issued under the terms of the original conversion feature for a total of \$33,592.

During 1997, the Company sold a total of 1,835,000 shares of CellStar for net proceeds of \$45,937 and a net gain of \$23,232.

PROVISION FOR INCOME TAXES

Income taxes are provided for at a blended federal and state rate of 41% for profits from normal business operations. During 1997, the Company had several non-operating events which had tax provisions calculated at specific rates, determined by the nature of the transaction. The tax treatment for the debt conversion expense of \$12,686, which lowered income before provision for income taxes, did not reduce taxable income as it is a non-deductible item. Instead of recording a tax recovery of \$5,201, which would lower the provision for income taxes, the Company actually recorded a tax expense of \$158. This and other various tax treatments resulted in an effective tax rate of 51.6% for 1997.

FISCAL 1996 COMPARED TO FISCAL 1995

Net sales increased by approximately \$97,175, or 19.4% for fiscal 1996, compared to fiscal 1995. This result was primarily attributable to increases in net sales from the cellular division of approximately \$76,413, or 23.9%, automotive security and accessory equipment of approximately \$20,418, or 27.9% and other products, primarily home stereo systems of \$3,052. These increases were partially offset by a decrease in automotive sound equipment of approximately \$2,708, or 2.5%.

The improvement in net sales of cellular telephone products was primarily attributable to an increase in unit sales. Net sales of cellular products increased by approximately 857,000 units, or 70.9%, compared to fiscal 1995, primarily resulting from an increase in sales of hand-held portable cellular telephones and transportable cellular telephones, partially offset by a decline in sales of installed mobile cellular telephones. The average unit selling price declined approximately 23.7% vs. 1995 as production efficiencies and market competition continues to reduce unit selling prices. The Company believes that the shift from installed mobile cellular telephones to hand-held and transportable cellular telephones is reflective of a desire by consumers for increased flexibility in their use of cellular telephones. Toward that end, the Company markets an accessory package that permits its Minivox(TM) and Minivox Lite(R) hand-held cellular telephones to be used in an automobile on a hands-free basis and to draw power from the automobile's electrical system like an installed mobile cellular telephone.

Activation commissions decreased by approximately \$5,424, or 14.1%, for fiscal 1996 compared to fiscal 1995. This decrease was primarily attributable to fewer new cellular subscriber activations and partially due to fewer retail outlets operated by the Company. The number of activation commissions decreased 21.4% compared to fiscal 1995. This decrease in commission revenue was offset by a 9.3% increase in average activation commissions paid to the Company. Residual revenues on customer usage increased by approximately \$47, or 1.0%, for fiscal 1996, compared to fiscal 1995, due primarily to the addition of new subscribers to the Company's cumulative subscriber base, despite a decrease in current year activations. A majority of the residual income resides with the remaining operating retail locations.

Net sales of automotive sound equipment decreased by approximately \$2,708, or 2.5%, for fiscal 1996, compared to fiscal 1995. This decrease was attributable primarily to a decrease in sales of products sold to mass merchandise chains and auto sound sales to new car dealers. This decrease was partially offset by increases in sales of sound products to private label customers. Net sales of automotive security and accessory products increased approximately \$20,418, or 27.9%, for fiscal 1996, compared to fiscal 1995, principally due to increases in sales of vehicle security products, Protector Hardgoods and cruise controls. This increase was partially offset by a reduction in net sales of AA security products.

Gross margins increased to 16.1% in fiscal 1996 from 14.1% in fiscal 1995. The 1995 gross margin included a \$9,300 charge for inventory written down to market at August 31, 1995. Cellular gross margins were 13.2% compared to 9.8% in 1995. Despite a 23.7% decrease in average unit selling prices, the average gross margin per unit increased 25.3%. The number of new subscriber activations decreased 21.4% but was partially offset by a 9.3% increase in average activation commissions earned by the Company. Residuals increased 1.0% compared to 1995. The Company believes that the cellular market will continue to be a highly-competitive and price-sensitive environment. Increased price competition related to the Company's product could result in downward pressure on the Company's

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gross margins if the Company is unable to obtain competitively priced product from its suppliers or result in adjustments to the carrying value of the Company's inventory.

Automotive sound margins were 19.9%, up from 17.5% in 1995. Most product lines in the category experienced an increase and there was a marked increase in the gross margin on international sales. Automotive accessory margins decreased from 27.9% in 1995 to 24.5% in 1996. This decrease was primarily in the Prestige and cruise control lines.

Total operating expenses increased approximately \$2,837, or 3.5%, compared to 1995. As a percentage to sales, total operating expenses decreased to 13.9% during 1996 compared to 16.1% for 1995. Selling expenses increased approximately \$5,544, or 16.1%, compared to 1995. Divisional marketing and advertising increased approximately \$8,256 compared to 1995 in addition to travel and related expenses. These increases were partially offset by decreases in salesmen's commissions, salesmen's salaries, payroll taxes and employee benefits. General and administrative expenses decreased approximately \$3,708

during 1996. The decreases were in occupancy costs, telephone and overseas buying office expenses and were partially offset by increases in office salaries, travel, payroll taxes, employee benefits and professional fees. Warehousing, assembly and repair expenses increased approximately \$1,001 compared to 1995, predominately in warehousing expenses and direct labor.

Management fees and related income and equity in income from joint venture investments increased by approximately \$463 for 1996 compared to 1995 as detailed in the following table:

	1996			1995		
	Management Fees	Equity Income (Loss)	Total	Management Fees	Equity Income (Loss)	Total
CellStar	-	-	-	-	\$ 2,151	\$ 2,151
ASMC	-	\$ 948	\$ 948	-	819	819
G.L.M.	\$ 100	-	100	\$ 14	-	14
Pacific	22	(334)	(312)	186	21	207
TALK	-	-	-	-	(2,837)	(2,837)
Quintex West	18	-	18	-	-	-
Posse	46	17	63	-	-	-
	\$ 186	\$ 631	\$ 817	\$ 200	\$ 154	\$ 354

This increase was primarily due to non-recurring costs recorded by TALK during 1995, their first full year of operations. This was offset by the Company owning less than 20% of CellStar for the entire fiscal year and, therefore, not accounting for the investment on the equity method. During 1995, the Company owned more than 20% of CellStar until the third quarter and, therefore, accounted for CellStar under the equity method until then. Audiovox Pacific has experienced an overall decline in gross margins, as the cellular market in Australia has experienced the same competitive factors as those in the United States.

Interest expense and bank charges decreased by \$1,214, or 12.5%, compared to 1995 as a result of a decrease in interest bearing debt. Other expenses decreased approximately \$412 primarily due to the write-off of fixed assets in the retail group during 1995 which did not recur in 1996. Costs

associated with the issuance of stock warrants for no monetary consideration to certain holders of the Company's convertible subordinated debentures also did not recur in 1996.

During the fourth quarter of 1996, the Company exchanged \$41,252 of its 6 1/4% subordinated debentures for 6,806,580 shares of Class A Common Stock. This exchange resulted in a charge to earnings of approximately \$26,318 before income taxes. This charge includes the loss on the exchange and the write-off of the remaining debt issuance costs associated with the original issue of the debentures.

Liquidity and Capital Resources

The Company's cash position at November 30, 1997 was approximately \$2,905 below the November 30, 1996 level. Operating activities used approximately \$36,899, primarily from increases in inventory and prepaid expenses and other assets, and a decrease in accounts payable, accrued expenses and other current liabilities. These events were partially offset by a decrease in accounts receivable and an increase in income taxes payable. Investing activities provided approximately \$37,695, composed primarily of \$45,937 from the sale of investment securities, partially offset by the purchase of property, plant and equipment of \$3,986 and purchase of equity investments of \$4,706. Financing activities used approximately \$3,458, principally from the repayment of borrowings under line of credit agreements.

On February 9, 1996, the Company's 10.8% Series AA and 11.0% Series BB Convertible Debentures matured. The Company paid \$4,362 to holders on that date. The remaining \$1,100 was converted into 206,046 shares of Common Stock. On November 25, 1996, the Company concluded an exchange of \$41,252 of its 6 1/4% subordinated debentures for 6,806,580 shares of the Company's Class A Common

Stock. Accounting charges to earnings for this transaction were \$29,206, including income taxes on the gain of the exchange of the bonds. As a result of the exchange, stockholders' equity was increased by \$34,426.

On October 1, 1996, business formally conducted by the Company's cellular division was continued in a newly-formed, wholly-owned subsidiary called Audiovox Communications Corp. Capitalization of this company was accomplished by exchanging the assets of the former division, less their respective liabilities, for all of the common stock.

On May 5, 1995, the Company entered into the Second Amended and Restated Credit Agreement (the Credit Agreement) which superseded the first amendment in its entirety. During 1997 and 1996, the Credit Agreement was amended ten times providing for various changes to the terms. The terms as of November 30, 1997 are summarized below.

Under the Credit Agreement, the Company may obtain credit through direct borrowings and letters of credit. The obligations of the Company under the Credit Agreement continue to be guaranteed by certain of the Company's subsidiaries and are secured by accounts receivable and inventory of the Company and those subsidiaries. The obligations were secured at November 30, 1996 by a pledge agreement entered into by the Company for 2,125,000 shares of CellStar Common Stock and 100 shares of ACC. Subsequent to November 30, 1996, the shares of CellStar Common Stock were released from the Pledge Agreement. Availability of credit under the Credit Agreement is a maximum aggregate amount of \$95,000, subject to certain conditions, and is based upon a formula taking into account the amount and quality of its accounts receivable and inventory. The Credit Agreement expires on February 28, 2000.

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The Credit Agreement contains several covenants requiring, among other things, minimum levels of pre-tax income and minimum levels of net worth as follows: Pre-tax income of \$4,000 per annum; pre-tax income of \$1,500 for the two consecutive fiscal quarters ending May 31, 1997, 1998 and 1999; pre-tax income of \$2,500 for the two consecutive fiscal quarters ending November 30, 1997, 1998 and 1999; the Company cannot have pre-tax losses of more than \$1,000 in any quarter; and the Company cannot have pre-tax losses in any two consecutive quarters. In addition, the Company must maintain a minimum level of total net worth of \$170,000. The Credit Agreement provides for adjustments to the covenants in the event of certain specified non-operating transaction. Additionally, the agreement includes restrictions and limitations on payments of dividends, stock repurchases and capital expenditures. During 1997, the Company received amendments and waivers to allow the Company to make stock repurchases and enter into the equity collar. Subsequent to year end, the Company received a waiver which allowed for the delay in issuance of its financial statements.

The Company granted to an investor in CellStar, in connection with the CellStar initial public offering, two options to purchase up to an aggregate of 1,750,000 shares of CellStar Common Stock owned by the Company, 1,500,000 of which was exercised in full on June 1, 1995 at an exercise price of \$11.50 per share. As a result, the Company recorded a gain, before provision for income taxes, of \$8,435. This reduced the Company's ownership in CellStar below 20% and, as such, the Company will no longer account for CellStar under the equity method of accounting. Subsequent to November 30, 1996, the remaining 250,000 shares under the remaining option expired. The remaining 2,375,000 CellStar shares owned by the Company will be accounted for as an investment in marketable equity securities. During 1997, the Company sold 1,835,000 shares of its CellStar shares for a gain of \$23,232, net of income tax. The Company continues to hold 865,000 shares of CellStar common stock. Based upon the closing market price of CellStar on November 30, 1997, the unrealized gain in equity is \$12,194, net of deferred taxes.

The Company believes that it has sufficient liquidity to satisfy its anticipated working capital and capital expenditure needs through November 30, 1998 and for the reasonable foreseeable future.

Impact of Inflation and Currency Fluctuation

Inflation has not had and is not expected to have a significant impact on the Company's financial position or operating results. However, as the Company

expands its operations into Latin America and the Pacific Rim, the effects of inflation and currency fluctuations in those areas, if any, could have growing significance to the financial condition and results of the operations of the Company.

The Company has operations and conducts local business in Asia. The recent fluctuations in the foreign exchange rates have not materially impacted the consolidated financial position, results of operations or liquidity. Management believes that continued fluctuations will not have a material adverse effect on the Company's consolidated financial position, however the impact on the results of operations or liquidity, particularly our Malaysian subsidiaries, is unknown.

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

Seasonality

The Company typically experiences some seasonality. The Company believes such seasonality could be attributable to increased demand for its products during the Christmas season, which commences in October, for both wholesale and retail operations.

Year 2000 Date Conversion

Management believes that a significant portion of its computer systems are year 2000 compliant and is in the process of assessing the balance of its systems. The Company intends to communicate with its customers, suppliers, financial institutions and others with which it does business to ensure that any year 2000 issue will be resolved timely. This issue affects computer systems that have time-sensitive programs that may not properly recognize the year 2000. If necessary modifications and conversions by those with which the Company does business are not completed timely or if all of the Company's systems are not year 2000 compliant, the year 2000 issue may have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued Statement No. 128, "Earnings per Share" (Statement 128), on December 1, 1997. Under Statement 128, the Company is required to report basic and diluted earnings per share. It will replace the presentation of both primary and fully diluted earnings per share. Statement 128 requires restatement of all prior-period earnings per share data. The provisions of Statement 128 are effective for financial statements issued for periods ending after December 15, 1997, including interim periods, and earlier application is not permitted. The provisions of Statement 128 must be implemented no later than fiscal 1998. The Company believes that Statement 128 will not have an impact on the Company's financial position, results of operations, or liquidity, however, the impact on previously reported earnings per share data is currently unknown.

In June 1997, the FASB issued Statement No. 130, "Reporting Comprehensive Income", effective for fiscal years beginning after December 15, 1997. This Statement requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. This Statement further requires that an entity display an amount representing total comprehensive income for the period in that financial statement. This Statement also requires that an entity classify items of other comprehensive income by their nature in a financial statement. For example, other comprehensive income may include foreign currency items and unrealized gains and losses on investments in equity securities. Reclassification of financial statements for earlier periods, provided for comparative purposes, is required. Based on current accounting standards, this Statement is not expected to have a material impact on the Company's consolidated financial statements.

The Company will adopt this accounting standard effective December 1, 1999, as required.

In June 1997, the FASB issued Statement 131, "Disclosures about Segments of an Enterprise and Related Information", effective for fiscal years beginning after December 15, 1997. This Statement establishes standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic

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areas and major customers. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. This Statement requires reporting segment profit or loss, certain specific revenue and expense items and segment assets. It also requires reconciliations of total segment revenues, total segment profit or loss, total segment assets, and other amounts disclosed for segments to corresponding amounts reported in the consolidated financial statements. Restatement of comparative information for earlier periods presented is required in the initial year of application. Interim information is not required until the second year of application, at which time comparative information is required. The Company has not determined the impact that the adoption of this new accounting standard will have on its consolidated financial statements disclosures. The Company will adopt this accounting standard effective December 1, 1999, as required.

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Item 8-Consolidated Financial Statements and Supplementary Data

The consolidated financial statements of the Company as of November 30, 1997 and 1996 and for each of the years in the three-year period ended November 30, 1997, together with the independent auditors' report thereon of KPMG Peat Marwick LLP, independent auditors, are filed under this Item 8.

Selected unaudited, quarterly financial data of the Registrant for the years ended November 30, 1997 and 1996 appears below:

	QUARTER ENDED			
	Feb. 28	May 31	Aug. 31	Nov. 30
1997				
Net sales	\$166,614	148,195	153,124	171,149
Gross profit	28,002	25,055	25,634	28,071
Operating expenses	23,486	21,243	20,606	21,732
Income before provision for income taxes	15,328 (a)	14,032 (c)	5,565 (e)	8,517 (g)
Provision for income taxes	11,125 (b)	5,678 (d)	2,467 (f)	3,150 (h)
Net income	4,203	8,354	3,098	5,367
Net income per common share (primary)	0.24	0.43	0.16	0.27
Net income per share (fully diluted)	0.23	0.42	0.16	0.26
1996				
Net sales	\$122,493	141,194	142,828	191,400
Gross profit	19,877	21,586	24,639	30,286
Operating expenses	17,519	19,347	2,091	25,536
Income (loss) before provision for income taxes	1,091	426	1,575	(23,727) (i)
Provision for income taxes	612	276	808	4,138 (j)
Net income (loss)	479	150	767	(27,865)
Net income (loss) per common share (primary)	0.05	0.02	0.08	(2.83)
Net income (loss) per share (fully diluted)	-	-	-	-

NOTE: The Company does not compute fully diluted earnings per share when the addition of potentially dilutive securities would result in anti-dilution.

- (a) Includes a pre-tax charge of \$12.7 million for costs associated with the exchange of \$21.5 million of subordinated debentures into 2,860,925 shares of Class A Common Stock and a pre-tax gain of \$23.8 million on the sale of CellStar shares.
- (b) Includes \$158,000 for income taxes associated with the exchange of

\$21.5 million of subordinated debentures into 2,860,925 shares of Class A Common Stock and income taxes of \$9.0 million for the gain on sale of CellStar shares.

- (c) Includes \$10.2 million of pre-tax gain on the sale of CellStar shares.
- (d) Includes \$3.9 million of income taxes on the gain on sale of CellStar shares
- (e) Includes \$303,000 of pre-tax gain on the sale of CellStar shares
- (f) Includes \$115,000 of income taxes on the gain on the sale of CellStar shares
- (g) Includes \$3.2 million of pre-tax gain on the sale of CellStar shares
- (h) Includes \$1.2 million of income taxes on the gain on sale of CellStar shares
- (i) Includes a pre-tax charge of \$26.3 million for costs associated with the exchange of \$41.3 million of subordinated debentures into 6,806,580 shares of common stock.
- (j) Includes tax expense of \$2.9 million associated with the exchange of debentures.

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Independent Auditors' Report

The Board of Directors and Stockholders
Audiovox Corporation:

We have audited the accompanying consolidated balance sheets of Audiovox Corporation and subsidiaries as of November 30, 1997 and 1996, and the related consolidated statements of income (loss), stockholders' equity and cash flows for each of the years in the three-year period ended November 30, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Audiovox Corporation and subsidiaries as of November 30, 1997 and 1996, and the results of their operations and their cash flows for each of the years in the three-year period ended November 30, 1997, in conformity with generally accepted accounting principles.

s/KPMG Peat Marwick LLP
KPMG PEAT MARWICK LLP

Jericho, New York
March 6, 1998

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NOVEMBER 30, 1997 AND 1996
(IN THOUSANDS, EXCEPT SHARE DATA)

	1997	1996
	----	----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,445	\$ 12,350
Accounts receivable, net	104,698	118,408
Inventory, net	105,242	72,785
Receivable from vendor	5,000	4,565
Prepaid expenses and other current assets	9,230	7,324
Deferred income taxes	4,673	5,241
Equity collar	1,246	-
	-----	-----
Total current assets	239,534	220,673
Investment securities	22,382	27,758
Equity investments	10,693	5,836
Property, plant and equipment, net	8,553	6,756
Debt issuance costs, net	-	269
Excess cost over fair value of assets acquired and other intangible assets, net	5,557	804
Other assets	3,108	3,449
	-----	-----
	\$ 289,827	\$ 265,545
	=====	=====
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 24,237	\$ 28,192
Accrued expenses and other current liabilities	16,538	18,961
Income taxes payable	9,435	7,818
Bank obligations	6,132	4,024
Documentary acceptances	3,914	3,501
	-----	-----
Total current liabilities	60,256	62,496
Bank obligations	24,300	31,700
Deferred income taxes	8,505	10,548
Long-term debt	6,191	28,165
	-----	-----
Total liabilities	99,252	132,909
	-----	-----
Minority interest	2,683	1,137
	-----	-----
Stockholders' equity:		
Preferred stock	2,500	2,500
Common stock:		
Class A; 30,000,000 authorized; 17,253,533 issued	173	141
Class B; 10,000,000 authorized; 2,260,954 issued	22	22
Paid-in capital	145,155	107,833
Retained earnings	32,924	11,902
Cumulative foreign currency translation and adjustment	(3,428)	(1,176)
Unrealized gain on marketable securities, net	12,194	10,277
Unrealized gain on equity collar, net	773	-
Treasury stock, 290,000 Class A common stock, at cost	(2,421)	-
	-----	-----
Total stockholders' equity	187,892	131,499
	-----	-----
Commitments and contingencies		
Total liabilities and stockholders' equity	\$ 289,827	\$ 265,545
	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

YEARS ENDED NOVEMBER 30, 1997, 1996, AND 1995
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	1997	1996	1995
	----	----	----
Net sales	\$639,082	\$597,915	\$500,740
Cost of sales (including an inventory write-down to market in 1995 of \$9,300)	532,320	501,527	429,998
	-----	-----	-----
Gross profit	106,762	96,388	70,742
	-----	-----	-----
Operating expenses:			
Selling	38,044	40,033	34,489
General and administrative	37,000	32,452	36,160
Warehousing, assembly and repair	12,023	10,828	9,827
	-----	-----	-----
Total operating expenses	87,067	83,313	80,476
	-----	-----	-----
Operating income (loss)	19,695	13,075	(9,734)
	-----	-----	-----
Other income (expense):			
Debt conversion expense	(12,686)	(26,318)	-
Interest and bank charges	(2,542)	(8,480)	(9,694)
Equity in income of equity investments	1,359	631	154
Management fees and related income	109	186	200
Gain on sale of equity investment	37,471	985	8,435
Expense related to issuance of warrants	-	-	(2,921)
Other, net	36	(714)	(1,126)
	-----	-----	-----
Total other income (expense)	23,747	(33,710)	(4,952)
	-----	-----	-----
Income (loss) before provision for (recovery of) income taxes	43,442	(20,635)	(14,686)
Provision for (recovery of) income taxes	22,420	5,834	(2,803)
	-----	-----	-----
Net income (loss)	\$ 21,022	\$ (26,469)	\$ (11,883)
	=====	=====	=====
Net income (loss) per common share (primary)	\$ 1.09	\$ (2.82)	\$ (1.31)
	=====	=====	=====
Net income per common share (fully diluted)	\$ 1.05	-	-
	=====	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

restricted stock forfeitures due to employee terminations	-	-	(23)	23	-	-	-	-	-	-
Issuance of 352,194 shares of common stock	-	3	3,489	-	-	-	-	-	-	3,492
Conversion of debentures into 2,860,925 shares	-	29	33,592	-	-	-	-	-	-	33,621
Issuance of warrants	-	-	106	-	-	-	-	-	-	106
Acquisition of 290,000 common shares	-	-	-	-	-	-	(2,421)	-	-	(2,421)
Net unrealized gain on marketable securities, net of tax effect of \$1,174	-	-	-	-	-	-	-	-	1,917	1,917
Unrealized gain on equity collar, net of tax effect of \$473	-	-	-	-	-	-	-	773	-	773
Balances at	2,500	195	145,240	(85)	32,924	(3,428)	(2,421)	773	12,194	187,892
November 30, 1997	=====	====	=====	=====	=====	=====	=====	====	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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AUDIOVOX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED NOVEMBER 30, 1997, 1996 AND 1995
(IN THOUSANDS)

	1997	1996	1995
	----	----	----
Cash flows from operating activities:			
Net income (loss)	\$ 21,022	\$ (26,469)	\$ (11,883)
Adjustment to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Debt conversion expense	12,386	25,629	-
Depreciation and amortization	1,903	3,298	4,100
Provision for bad debt expense	1,300	429	1,816
Equity in income of equity investments	(1,468)	(614)	(154)
Minority interest	1,623	767	225
Gain on sale of equity investment	(37,471)	(985)	(8,435)
Provision for (recovery of) deferred income taxes	(3,123)	468	(5,158)
Provision for unearned compensation	135	297	240
Expense relating to issuance of warrants	106	-	2,921
(Gain) loss on disposal of property, plant and equipment, net	(9)	(32)	246
Changes in:			
Accounts receivable	6,853	(21,848)	(4,468)
Note receivable from equity investment	-	532	(5,097)
Inventory	(36,823)	27,688	(16,950)
Accounts payable, accrued expenses and other current liabilities	(2,855)	12,445	488
Income taxes payable	2,181	5,360	1,623
Prepaid expenses and other, net	(2,659)	(2,954)	250
Net cash provided by (used in) operating activities	(36,899)	24,011	(40,236)
Cash flows from investing activities:			

Purchase of equity investments	(4,706)	-	-
Purchases of property, plant and equipment, net	(3,986)	(2,805)	(2,722)
Net proceeds from sale of investment securities	45,937	1,000	17,250
Proceeds from distribution from equity investment	450	317	267
	-----	-----	-----
Net cash provided by (used in) investing activities	37,695	(1,488)	14,795
	-----	-----	-----
Cash flows from financing activities:			
Net borrowings (repayments) under line of credit agreements	(3,765)	(14,040)	19,577
Net borrowings (repayments) under documentary acceptances	413	(3,620)	7,120
Principal payments on long-term debt	-	(5,029)	(11)
Debt issuance costs	(13)	(392)	(714)
Principal payments on capital lease obligation	-	(158)	(233)
Proceeds from issuance of long-term debt	-	-	675
Proceeds from issuance of Class A Common Stock	2,328	-	-
Repurchase of Class A Common Stock	(2,421)	-	-
Proceeds from release of restricted cash	-	5,959	600
	-----	-----	-----
Net cash provided by (used in) financing activities	(3,458)	(17,280)	27,014
Effect of exchange rate changes on cash	(243)	31	8
	-----	-----	-----
Net increase in cash and cash equivalents	(2,905)	5,274	1,581
Cash and cash equivalents at beginning of period	12,350	7,076	5,495
	-----	-----	-----
Cash and cash equivalents at end of period	\$ 9,445	\$ 12,350	\$ 7,076
	=====	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 1997, 1996 AND 1995

(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(1) Summary of Significant Accounting Policies

(a) Description of Business

Audiovox Corporation and its subsidiaries (the Company) design and market cellular telephones and accessories, automotive aftermarket sound and security equipment, other automotive aftermarket accessories, and certain other products, principally in the United States, Canada, and overseas. In addition to generating product revenue from the sale of cellular telephone products, the Company's retail outlets, as agents for cellular carriers, are paid activation commissions and residual fees from such carriers.

The Company's automotive sound, security, and accessory products include stereo cassette radios, compact disc players and changers, amplifiers and speakers; key based remote control security systems; cruise controls and door and trunk locks. These products are marketed through mass merchandise chain stores, specialty automotive accessory installers, distributors, and automobile dealers.

(b) Principles of Consolidation

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

(c) Cash Equivalents

Cash equivalents of \$1,337 at November 30, 1995 consisted of short-term investments with terms of less than three months.

For purposes of the statements of cash flows, the Company considers investments with original maturities of three months or less to be cash equivalents.

(d) Cash Discount and Co-operative Advertising Allowances

The Company accrues for estimated cash discounts and trade and promotional co-operative advertising allowances at the time of sale. These discounts and allowances are reflected in the accompanying consolidated financial statements as a reduction of accounts receivable as they are utilized by customers to reduce their trade indebtedness to the Company.

(Continued)

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

(e) Inventory

Inventory consists principally of finished goods and is stated at the lower of cost (primarily on a weighted moving average basis) or market. The markets in which the Company competes are characterized by declining prices, intense competition, rapid technological change and frequent new product introductions. The Company maintains a significant investment in inventory and, therefore, is subject to the risk of losses on write-downs to market and inventory obsolescence. During the third quarter of 1995, the Company recorded a charge of approximately \$9,300 to accurately reflect the Company's inventory at the lower of cost or market. No estimate can be made of losses that are reasonably possible should additional write-downs to market be required in the future.

(f) Derivative Financial Instruments

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

(1) Forward Exchange Contracts

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

Gains and losses on the forward exchange contracts that qualify as hedges are reported as a component of the underlying transaction. Foreign currency transactions which have not been hedged are marked-to-market on a current basis with gains and losses recognized through income and reflected in other income (expense). In addition, any previously deferred gains and losses on hedges which are terminated prior to the transaction date are recognized in current income when the hedge is terminated (Note 16(a)(1)).

(2) Equity Collar

The Company has an equity collar for 100,000 of its shares in CellStar Corporation (CellStar) (Note 6). The equity collar is recorded on the balance sheet at fair value with gains and losses on the equity collar reflected as a separate component

(Continued)

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

of stockholders' equity (Note 16(a)(2)). The equity collar acts as a hedging item for the CellStar shares. Being that the item being hedged, the CellStar shares, is an available-for-sale security carried at fair market value with unrealized gains and losses recorded as a separate component of stockholders' equity, the unrealized gains and losses on the equity collar are also recorded as a separate component of stockholders' equity.

(g) Investment Securities

The Company classifies its debt and equity securities in one of three categories: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities in which the Company has the ability and intent to hold the security until maturity. All other securities not included in trading or held-to-maturity are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of stockholders' equity until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis.

A decline in the market value of any available-for-sale or held-to-maturity security below cost that is deemed other than temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. Premiums and discounts are amortized or accreted over the life of the related held-to-maturity security as an adjustment to yield using the effective interest method. Dividend and interest income are recognized when earned.

(h) Debt Issuance Costs

Costs incurred in connection with the issuance of the convertible subordinated debentures and restructuring of the Series A and Series B convertible subordinated notes (Note 10) and the restructuring of bank obligations (Note 9(a)) have been capitalized. These charges are amortized over the lives of the respective agreements. Amortization expense of these costs amounted to \$37, \$1,109, and \$1,319 for the years ended November 30, 1997, 1996 and 1995, respectively. During 1997 and 1996, the Company wrote off \$245 and \$3,249, respectively, of debt issuance costs (Note 10).

(Continued)

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

(i) Property, Plant, and Equipment

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

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

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

(j) Intangible Assets

Intangible assets consist of patents, trademarks, non-competition agreements, and the excess cost over fair value of assets acquired for certain subsidiary companies and equity investments. Excess cost over fair value of assets acquired is being amortized over periods not exceeding twenty years. The costs of other intangible assets are amortized on a straight-line basis over their respective lives.

Accumulated amortization approximated \$1,759 and \$1,413 at November 30, 1997 and 1996, respectively. Amortization of the excess cost over fair value of assets acquired and other intangible assets amounted to \$363, \$145, and \$127 for the years ended November 30, 1997, 1996, and 1995, respectively. During 1997, the Company made investments in two companies that resulted in additional excess cost over fair value of assets acquired (Note 8).

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

The recoverability of the excess cost over fair value of assets acquired is assessed by determining whether the amortization over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operation. The amount of impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds. The assessment of the recoverability of the excess cost over fair value of assets acquired

(Continued)

will be impacted if estimated future operating cash flows are not achieved.

(k) Equity Investments

The Company has common stock investments which are accounted for by the equity method (Note 8).

(l) Cellular Telephone Commissions

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

The Company recognizes sales revenue for the initial activation, length of service commissions, and residual commissions based upon usage on the accrual basis. Such commissions approximated \$35,749, \$37,930, and \$43,307 for the years ended November 30, 1997, 1996, and 1995, respectively. Related commissions paid to outside selling representatives for cellular activations are reflected as cost of sales in the accompanying consolidated statements of income (loss) and amounted to \$19,924, \$20,443, and \$15,374 for the years ended November 30, 1997, 1996, and 1995, respectively.

(m) Advertising

The Company expenses the production costs of advertising as incurred and expenses the costs of communicating advertising when the service is received. During the years ended November 30, 1997, 1996, and 1995, the Company had no direct response advertising.

(n) Warranty Expenses

Warranty expenses are accrued at the time of sale based on the Company's estimated cost to repair expected returns for products. At November 30, 1997 and 1996, the liability for future warranty expense amounted to \$2,257 and \$2,618, respectively.

(Continued)

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

(o) Foreign Currency

Assets and liabilities of those subsidiaries and equity investments located outside the United States whose cash flows are primarily in local currencies have been translated at rates of exchange at the end of the period. Revenues and expenses have been translated at the weighted average rates of exchange in effect during the period. Gains and losses resulting from translation are accumulated in the cumulative foreign currency translation account in stockholders' equity. Exchange gains and losses on hedges of foreign net investments and on intercompany balances of a long-term investment nature are also recorded in the cumulative foreign currency

translation adjustment account. Other foreign currency transaction gains and losses are included in net income, none of which were material for the years ended November 30, 1997, 1996, and 1995.

(p) Income Taxes

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

(q) Net Income (Loss) Per Common Share

Primary earnings per share are computed based on the weighted average number of common shares outstanding and common stock equivalents. The Company did not present fully-diluted earnings per share for the years ended November 30, 1996 and 1995 as the addition of potentially dilutive securities would result in anti-dilution.

The following weighted average shares were used for the computation of primary and fully-diluted earnings per share:

	For the Years Ended November 30,		
	1997	1996	1995
	----	----	----
Primary	19,295,346	9,398,352	9,038,742
Fully diluted	20,112,523	-	-

(Continued)

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

The Company will adopt the provisions of Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share", on December 1, 1997. Adoption of SFAS No. 128 will not have an impact on the Company's financial position, results of operations or liquidity, however, the impact on previously reported earnings per share data is currently unknown.

(r) Supplementary Financial Statement Information

Advertising expenses approximated \$16,981, \$21,794, and \$13,538 for the years ended November 30, 1997, 1996, and 1995, respectively.

Interest income of approximately \$1,525, \$1,097, and \$1,047 for the years ended November 30, 1997, 1996, and 1995, respectively, is included in other in the accompanying consolidated statements of income (loss).

Included in accrued expenses and other current liabilities is \$4,091 and \$4,405 of accrued wages and commissions at November 30, 1997 and 1996, respectively.

(s) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

On December 1, 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS No. 121 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to the future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. Adoption of SFAS No. 121 did not have a material impact on the Company's financial position, results of operations or liquidity.

(Continued)

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

(u) Accounting for Stock-Based Compensation

Prior to December 1, 1996, the Company accounted for its stock option plan in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. On December 1, 1996, the Company adopted SFAS No. 123, "Accounting for Stock-Based Compensation", which permits entities to recognize, as expense over the vesting period, the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income and pro forma earnings per share disclosures for employee stock option grants made in fiscal 1996 and future years as if the fair-value-based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of SFAS No. 123.

(2) Business Acquisitions/Dispositions

During 1997, the Company formed Audiovox Venezuela C.A. (Audiovox Venezuela), an 80%- owned subsidiary, for the purpose of expanding its international business. The Company made an initial investment of \$478 which was used by Audiovox Venezuela to obtain certain licenses, permits and fixed assets.

In April 1996, the Company formed Audiovox Holdings (M) Sdn. Bhd. (Audiovox Holdings) and Audiovox Communications (Malaysia) Sdn. Bhd. (Audiovox Communications), which are 80% and 72% -owned subsidiaries of Audiovox Asia, Inc. (Audiovox Asia), respectively, which, in turn, is a wholly-owned subsidiary of the Company. In July 1994, the Company formed Audiovox (Thailand) Co., Ltd., a 100%-owned subsidiary of Audiovox Asia. In 1996, Audiovox Communications formed Vintage Electronics Holdings (Malaysia) Sdn. Bhd., a wholly-owned subsidiary. The Company formed these subsidiaries to assist in its planned expansion of its international business.

In October 1996, the Company contributed the net assets of its cellular division into a newly- formed, wholly-owned subsidiary Audiovox Communications Corp. (ACC).

(Continued)

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

(3) Supplemental Cash Flow Information

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

	For the Years Ended November 30,		
	1997	1996	1995
Cash paid during the years for:			
Interest	\$ 1,560	\$7,666	\$9,224
Income taxes	\$23,530	\$ 272	\$ 818

During 1997, the Company issued a credit of \$1,250 on open accounts receivable and issued 250,000 shares of its Class A Common Stock, valued at five dollars per share, in exchange for a 20% interest in Bliss-Tel Company, Limited (Bliss-Tel) (Note 8).

During 1997, the Company contributed \$6,475 in net assets in exchange for a 50% ownership interest in Audiovox Specialized Applications, LLC (ASA) which resulted in \$5,595 of excess cost over fair value of net assets (Note 8).

As of November 30, 1997, the Company recorded an unrealized holding gain relating to the equity collar, net of deferred income taxes, of \$773 as a separate component of stockholders' equity (Note 16).

As of November 30, 1997 and 1996, the Company recorded an unrealized holding gain relating to available-for-sale marketable equity securities, net of deferred income taxes, of \$12,194 and \$10,277, respectively, as a separate component of stockholders' equity (Note 6).

On February 9, 1996, the Company's 10.8% Series AA and 11.0% Series BB convertible debentures matured. As of February 9, 1996, \$1,100 of the Series BB convertible debentures converted into 206,046 shares of Common Stock (Note 10).

On November 25, 1996, the Company completed an exchange of \$41,252 of its \$65,000 6 1/4% convertible subordinated debentures into 6,806,580 shares of Common Stock (Note 10).

During 1996, the Company contributed \$97 of property, plant and equipment in exchange for a 50% ownership interest in a newly-formed joint venture (Note 8).

During 1995, the Company contributed \$36 of property, plant, and equipment in exchange for a 50% ownership interest in a newly-formed joint venture (Note 8).

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

(4) Transactions With Major Suppliers

The Company engaged in transactions with Shintom Co., Ltd. (Shintom), a stockholder who owned approximately 1.7% at November 30, 1996 of the outstanding Class A Common Stock and all of the outstanding Preferred Stock of the Company at November 30, 1997 and 1996. During 1994, the Company formed TALK Corporation (TALK), a 30.8%-owned joint venture in Japan (Note 8), with Shintom and other companies.

Transactions with Shintom and TALK included financing arrangements and inventory purchases which approximated 26% and 20% for the years ended November 30, 1996 and 1995, respectively, of total inventory purchases. Transactions with TALK included financing arrangements and inventory purchases which approximated 29% for the year ended November 30, 1997 of total inventory purchases. At November 30, 1997 and 1996, the Company had recorded \$9,702 and \$3,501, respectively, of liabilities due to TALK for inventory purchases included in accounts payable. The Company also has documentary acceptance obligations outstanding from TALK as of November 30, 1997 and 1996 (Note 9(b)). At November 30, 1996, the Company had recorded a receivable from TALK in the amount of \$4,565 payable with interest (Note 8).

Inventory purchases from a major supplier approximated 32%, 28%, and 44% of total inventory purchases for the years ended November 30, 1997, 1996, and 1995, respectively. Although there are a limited number of manufacturers of its products, management believes that other suppliers could provide similar products on comparable terms. A change in suppliers, however, could cause a delay in product availability and a possible loss of sales, which would affect operating results adversely.

(5) Accounts Receivable

Accounts receivable is comprised of the following:

	November 30,	
	1997	1996
Trade accounts receivable	\$113,498	\$127,854
Receivables from equity investments (Note 8)	1,921	2,626
	-----	-----
	115,419	130,480
Less:		
Allowance for doubtful accounts	3,497	3,115
Allowance for cellular deactivations	1,363	1,666
Allowance for co-operative advertising and cash discounts	5,861	7,291
	-----	-----
	\$104,698	\$118,408
	=====	=====

See Note 16(c) for concentrations of credit risk.

(6) Investment Securities

The Company's investment securities consist primarily of 865,000 and 2,375,000 shares of CellStar Common Stock, which were classified as available-for-sale marketable equity securities at November 30, 1997 and 1996, respectively. The aggregate fair value of available-for-sale marketable equity securities were \$22,382 and \$27,758 at November 30, 1997 and 1996, respectively, which is comprised of a cost basis of \$2,715 and \$11,181 and a gross unrealized holding gain of \$19,667 and \$16,577 recorded as a separate component of stockholders' equity at November 30, 1997 and 1996, respectively. A related deferred tax liability of \$7,473 and \$6,300 was recorded at November 30, 1997 and 1996, respectively, as a reduction to the unrealized holding gain included as a separate component of stockholders' equity.

During 1997, the Company sold 1,835,000 shares of CellStar Common Stock yielding net proceeds of approximately \$45,937 and a gain, net of taxes, of approximately \$23,232.

(7) Property, Plant, and Equipment

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

	November 30,	
	1997	1996
Land	\$ 363	\$ 363
Buildings	2,099	1,782
Furniture, fixtures and displays	3,418	3,277
Machinery and equipment	4,341	3,221
Computer hardware and software	14,307	12,658
Automobiles	800	954
Leasehold improvements	3,510	3,454
	-----	-----
	28,838	25,709
Less accumulated depreciation and amortization	(20,285)	(18,953)
	-----	-----
	\$ 8,553	\$ 6,756
	=====	=====

Computer software includes approximately \$1,672 and \$690 of unamortized costs as of November 30, 1997 and 1996, respectively, related to the acquisition and installation of management information systems for internal use which are being amortized over a five-year period.

Depreciation and amortization of plant and equipment amounted to \$1,503, \$2,044, and \$2,654 for the years ended November 30, 1997, 1996, and 1995, respectively, which includes amortization of computer software costs of \$19, \$364, and \$922 for the years ended November 30, 1997, 1996, and 1995, respectively.

(Continued)

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

(8) Equity Investments

As of November 30, 1997, the Company had a 30.8% ownership interest in TALK. As of November 30, 1997, the Company's 72% owned subsidiary, Audiovox Communications, had a 29% ownership interest in Avx Posse (Malaysia) Sdn. Bhd. (Posse) which monitors car security commands through a satellite based system in Malaysia. As of November 30, 1997,

the Company had a 20% ownership interest in Bliss-Tel which distributes cellular telephones and accessories in Thailand. Additionally, the Company had 50% non-controlling ownership interests in five other entities: Protector Corporation (Protector) which acts as a distributor of chemical protection treatments; ASA which acts as a distributor to specialized markets for RV's and van conversions, of televisions and other automotive sound, security, and accessory products; Audiovox Pacific Pty., Limited (Audiovox Pacific) which distributes cellular telephones and automotive sound and security products in Australia and New Zealand; G.L.M. Wireless Communications, Inc. (G.L.M.) which is in the cellular telephone, pager, and communications business in the New York metropolitan area; and Quintex Communications West, LLC (Quintex West), which is in the cellular telephone and related communication products business, as well as the automotive aftermarket products business on the West Coast of the United States.

On June 1, 1995, at an exercise price of \$11.50 per share, an option to purchase up to an aggregate of 1,500,000 shares of CellStar Common Stock owned by the Company was exercised. As a result, the Company recorded a gain, before provision for income taxes, of approximately \$8,400. This reduced the Company's ownership in CellStar below 20% and, as such, the Company discontinued the equity method of accounting for CellStar. The remaining CellStar shares owned by the Company are accounted for as an investment in marketable equity securities (Note 6).

The following table presents financial information relating to CellStar for the year ended November 30, 1995:

	1995
Current assets	\$271,156
Non-current assets	43,765
Current liabilities	196,746
Non-current liabilities	6,880
Net sales	811,915
Gross profit	109,841
Net income	22,896

In August 1994, the Company invested 600 million Japanese Yen (approximately \$6,000) into a newly-formed company, TALK, in exchange for 12,000 shares of TALK, representing a 33% ownership interest. Five million dollars of this investment was financed by a non-recourse note with a third party lender, which provides for the repayment of the note either in cash or

(Continued)

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

by surrendering 10,000 shares in TALK. During 1997 and 1996, additional investments were made by outside investors reducing the Company's ownership to 30.8%. The Company accounts for its investment in TALK under the equity method of accounting.

TALK, which holds world-wide distribution rights for product manufactured by Shintom, has given the Company exclusive distribution rights on all wireless personal communication products for all countries except Japan, China, Thailand, and several mid-eastern countries. The Company granted Shintom a license agreement permitting the use of the Audiovox trademark to be used with TALK video cassette recorders sold in Japan from August 29, 1994 to August 28, 1997, in exchange for royalty fees. For the years ended November 30, 1997, 1996 and 1995, no such royalty fees were earned by the Company.

On July 31, 1995, the Company purchased a 50% equity investment in a newly-formed company, G.L.M., for approximately \$36 in contributed

assets. In addition, the Company has guaranteed certain obligations of G.L.M. (Note 16(b)).

On December 1, 1995, the Company purchased a 50% equity investment in a newly-formed company, Quintex West, for approximately \$97 in contributed assets.

During 1997, the Company purchased a 20% equity investment in Bliss-Tel in exchange for 250,000 shares of the Company's Class A Common Stock and a credit for open accounts receivable of \$1,250. The issuance of the common stock resulted in an increase to additional paid-in capital of approximately \$1,248. The investment in Bliss-Tel will be accounted for under the equity method of accounting.

During 1997, the Company purchased a 50% equity investment in a newly-formed company, ASA, for approximately \$11,131. The Company contributed the net assets of its Heavy Duty Sound division, its 50% interest in Audiovox Specialty Markets Co. (ASMC) and \$4,656 in cash. In connection with this investment, excess cost over fair value of net assets acquired of \$5,595 resulted, which is being amortized on a straight-line basis over 20 years. The other investor (Investor) contributed its 50% interest in ASMC and the net assets of ASA Electronics Corporation. In connection with this investment, the Company entered into a stock purchase agreement with the Investor in ASA. The agreement provides for the sale of 352,194 shares of Class A Common Stock at \$6.61 per share (aggregate proceeds of approximately \$2,328) by the Company to the Investor. The transaction resulted in a net increase to additional paid-in capital of approximately \$2,242. The selling price of the shares are subject to adjustment in the event the Investor sells shares at a loss during a 90-day period, beginning with the effective date of the registration statement filed with the Securities and Exchange Commission to register such shares. The adjustment to the selling price will equal the loss incurred by the Investor up to a maximum of 50% of the shares. In the event the Company does make an adjustment to the shares, additional goodwill will be recorded as the adjustment represents contingent consideration.

(Continued)

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

The Company received the following management fees and related income from its equity investments:

	November 30,		
	1997	1996	1995
	----	----	----
Pacific	-	\$ 22	\$ 186
G.L.M.	\$ 12	100	14
Quintex West	-	18	-
Posse	97	46	-
	-----	-----	-----
	\$109	\$ 186	\$ 200
	=====	=====	=====

The Company's net sales to the equity investments amounted to \$6,132, \$6,483, and \$17,864 for the years ended November 30, 1997, 1996, and 1995, respectively. The Company's purchases from the equity investments amounted to \$144,488, \$115,109, and \$83,858 for the years ended November 30, 1997, 1996, and 1995, respectively. The Company recorded \$2,027 and \$2,130 of outside representative commission expenses for activations and residuals generated by G.L.M. on the Company's behalf during fiscal year 1997 and 1996, respectively, (Note 1(l)).

Included in accounts receivable at November 30, 1997 and 1996 are trade receivables due from its equity investments aggregating \$1,921 and

\$2,576, respectively. At November 30, 1996, a management fee receivable of \$50 was also included in accounts receivable. Receivable from vendor is interest bearing and represents claims on late deliveries, product modifications, and price protection from TALK as well as prepayments on product shipments. Interest is payable in monthly installments at rates which range from 6.5% to 8%. Amounts representing prepayments of \$5,000 were repaid via receipt of product shipments in December 1997. At November 30, 1997 and 1996, other long-term assets include equity investment advances outstanding and management fee receivables of \$1,496 and \$1,634, respectively. At November 30, 1997 and 1996, included in accounts payable and other accrued expenses were obligations to equity investments aggregating \$9,783 and \$3,773, respectively. Documentary acceptance obligations were outstanding from TALK at November 30, 1997 (Note 9(b)).

During 1997, the Company recorded interest income from TALK relating to the receivable from vendor, reimbursement of interest expense incurred under the subordinated loan to hedge the TALK investment (Note 10), and other short-term loans made to TALK during 1997 at market interest rates. For the years ended November 30, 1997, 1996, and 1995, interest income earned on equity investment notes and other receivables approximated \$653, \$725, and \$573, respectively. Interest expense on equity investment documentary acceptances approximated \$203 and \$198 in 1997 and 1996, respectively.

(Continued)

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

(9) Financing Arrangements

(a) Bank Obligations

During 1993, the Company had established a revolving credit agreement with several financial institutions which was first amended on March 15, 1994. On May 5, 1995, the Company entered into the Second Amended and Restated Credit Agreement (the Credit Agreement) which superseded the first amendment in its entirety. During 1997, the Credit Agreement was amended four times providing for various changes to the terms. The terms as of November 30, 1997 are summarized below.

Under the Credit Agreement, the Company may obtain credit through direct borrowings and letters of credit. The obligations of the Company under the Credit Agreement continue to be guaranteed by certain of the Company's subsidiaries and is secured by accounts receivable and inventory of the Company and those subsidiaries. The obligations were secured at November 30, 1997 by a pledge agreement entered into by the Company for 100 shares of ACC. Availability of credit under the Credit Agreement is a maximum aggregate amount of \$95,000, subject to certain conditions, and is based upon a formula taking into account the amount and quality of its accounts receivable and inventory. The Credit Agreement expires on February 28, 2000. As a result, bank obligations under the Credit Agreement have been classified as long-term at November 30, 1997.

Outstanding obligations under the Credit Agreement at November 30, 1997 and 1996 were as follows:

	November 30,	
	1997	1996
Revolving Credit Notes	\$18,300	\$11,700
Eurodollar Notes	6,000	20,000

\$24,300
=====

\$31,700
=====

For the year ended November 30, 1995 through and including February 8, 1996, interest on revolving credit notes were .25% above the prime rate, which was 8.75% at November 30, 1995. For the same period, interest on Eurodollar Notes were 2% above the Libor rate which was approximately 5.1% at November 30, 1995 and interest on bankers' acceptances were 2% above the bankers' acceptance rate which was approximately 6.25% at November 30, 1995. Pursuant to an amendment on February 9, 1996, the interest rates were increased to the following: revolving credit notes at .50% above the prime rate, which was approximately 8.5% at November 30, 1997 and Eurodollar Notes at 2.75% above the Libor rate which was approximately 5.97% at November 30, 1997. Interest on bankers' acceptances remained at 2% above the bankers' acceptance

(Continued)

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

rate which was approximately 5.77% at November 30, 1997. The maximum commitment fee on the unused portion of the line of credit is .25% as of November 30, 1997.

The Credit Agreement contains several covenants requiring, among other things, minimum levels of pre-tax income and minimum levels of net worth and working capital. Additionally, the agreement includes restrictions and limitations on payments of dividends, stock repurchases, and capital expenditures. During 1997, the Company received amendments and waivers to allow the Company to make stock repurchases (Note 12) and enter into the equity collar (Note 16(a)(2)). Subsequent to year end, the Company received a waiver which allowed for the delay in issuance of its financial statements.

The Company also has a revolving credit facility with a Malaysian bank (Malaysian Credit Agreement) to finance additional working capital needs. As of November 30, 1997 and 1996, the available line of credit for direct borrowing, letters of credit, bankers' acceptances and other forms of credit approximated \$8,017 and \$9,320, respectively. The credit facility is partially secured by two standby letters of credit totaling \$5,320, issued under the Credit Agreement by the Company and is payable upon demand or upon expiration of the standby letters of credit on August 31, 1998. The obligations of the Company under the Malaysian Credit Agreement are secured by the property and building owned by Audiovox Communications. Outstanding obligations under the Malaysian Credit Agreement at November 30, 1997 and 1996 were approximately \$4,146 and \$4,024, respectively. At November 30, 1997, interest on the credit facility ranged from 8.25% to 11.10%. At November 30, 1996, interest on the credit facility ranged from 9.25% to 9.52%.

On October 28, 1997, Audiovox Venezuela issued a note payable to a Venezuelan bank in the amount of 994,000 Venezuelan Bolivars (approximately \$1,986 at November 30, 1997) to finance additional working capital needs. The note is scheduled to be repaid within one year and as such, is classified as short-term. Interest on the note payable is 20%. The note payable is secured by a standby letter of credit in the amount of \$2,000, issued under the Credit Agreement by the Company and is payable upon demand or upon expiration of the standby letter of credit on August 31, 1998.

The maximum month-end amounts outstanding under the Credit Agreement and Malaysian Credit Agreement borrowing facilities during the years ended November 30, 1997, 1996, and 1995 were \$28,420, \$44,213, and \$59,315, respectively. Average borrowings during the years ended November 30, 1997, 1996, and 1995 were \$11,478, \$33,662, and \$43,470, respectively, and the weighted average interest rates were 11.3%, 8.9%, and 8.7%, respectively.

(Continued)

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

(b) Documentary Acceptances

During 1997, the Company had various unsecured documentary acceptance lines of credit available with suppliers to finance inventory purchases. The Company does not have written agreements specifying the terms and amounts available under the lines of credit. At November 30, 1997, \$3,914 of documentary acceptances were outstanding of which all was due to TALK.

The maximum month-end documentary acceptances outstanding during the years ended November 30, 1997, 1996, and 1995 were \$4,162, \$9,792, and \$9,977, respectively. Average borrowings during the years ended November 30, 1997, 1996, and 1995 were \$3,199, \$5,845, and \$5,876, respectively, and the weighted average interest rates, including fees, were 6.3%, 5.1%, and 4.4%, respectively.

(10) Long-Term Debt

A summary of long-term debt follows:

	November 30,	
	1997	1996
	-----	-----
Convertible subordinated debentures:		
6 1/4%, due 2001, convertible at		
\$17.70 per share	\$ 2,269	\$23,748
Subordinated note payable	3,922	4,417
	-----	-----
	6,191	28,165
Less current installments	-	-
	-----	-----
	\$ 6,191	\$28,165
	=====	=====

On March 15, 1994, the Company completed the sale of \$65,000, 6 1/4% convertible subordinated debentures (Subordinated Debentures) due 2001 and entered into an Indenture Agreement. The Subordinated Debentures are convertible into shares of the Company's Class A Common Stock, par value \$.01 per share at an initial conversion price of \$17.70 per share, subject to adjustment under certain circumstances. The Indenture Agreement contains various covenants. The bonds are subject to redemption by the Company in whole, or in part, at any time after March 15, 1997, at certain specified amounts. On May 9, 1995, the Company issued warrants to certain beneficial holders of these Subordinated Debentures (Note 13(d)).

On November 25, 1996, the Company completed an exchange of \$41,252 of its \$65,000 Subordinated Debentures for 6,806,580 shares of Class A Common Stock (Exchange). As a result of the Exchange, a charge of

\$26,318 was recorded. The charge to earnings represents (i) the difference in the fair market value of the shares issued in the Exchange and the fair market value of the shares that would have been issued under the terms of the original conversion feature

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AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

plus (ii) a write-off of the debt issuance costs associated with the Subordinated Debentures (Note 1(h)) plus (iii) expenses associated with the Exchange offer. The Exchange resulted in taxable income due to the difference in the face value of the bonds converted and the fair market value of the shares issued and, as such, a current tax expense of \$2,888 was recorded. An increase to paid in capital was reflected for the face value of the bonds converted, plus the difference in the fair market value of the shares issued in the Exchange and the fair market value of the shares that would have been issued under the terms of the original conversion feature for a total of \$63,564.

During January 1997, the Company completed additional exchanges totaling \$21,479 of its \$65,000 Subordinated Debentures for 2,860,925 shares of Class A Common Stock (Additional Exchanges). As a result of the Additional Exchanges, similar to that of the Exchange described earlier, a charge of \$12,686, tax expense of \$158 and an increase to paid in capital of \$33,592, was recorded. As a result of the Exchange and Additional Exchanges, the remaining Subordinated Debentures are \$2,269.

On March 8, 1994, the Company entered into a Debenture Exchange Agreement and exchanged certain debentures for Series AA and Series BB Convertible Debentures (Debentures). The Debentures were convertible at any time at \$5.34 per share, which is subject to adjustment in certain circumstances, and were secured by a standby letter of credit. Although the Debenture Exchange Agreement provides for optional prepayments under certain circumstances, such prepayments are restricted by the Credit Agreement (Note 9(a)). On February 9, 1996, the holders of \$1,100 of the Series BB Convertible Debentures exercised their right to convert into 206,046 shares of Class A Common Stock. The remaining balance of the Debentures were repaid during 1996; thereby extinguishing the remaining conversion features of these Debentures.

On October 20, 1994, the Company issued a note payable for 500,000 Japanese Yen (approximately \$3,922 and \$4,417 on November 30, 1997 and 1996, respectively) to finance its investment in TALK (Note 8). The note is scheduled to be repaid on October 20, 2004 and bears interest at 4.1%. The note can be repaid by cash payment or by giving 10,000 shares of its TALK investment to the lender. The lender has an option to acquire 2,000 shares of TALK held by the Company in exchange for releasing the Company from 20% of the face value of the note at any time after October 20, 1995. This note and the investment in TALK are both denominated in Japanese Yen, and, as such, the foreign currency translation adjustments are accounted for as a hedge. Any foreign currency translation adjustment resulting from the note will be recorded in stockholders' equity to the extent that the adjustment is less than or equal to the adjustment from the translation of the investment in TALK. Any portion of the adjustment from the translation of the note that exceeds the adjustment from the translation of the investment in TALK is a transaction gain or loss that will be included in earnings.

During 1995, Audiovox Malaysia entered into a Secured Term Loan for 1,700 Malaysian Ringgits (approximately \$675) to acquire a building. The loan was secured by the property acquired

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AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

and bore interest at 1.5% above the Malaysian base lending rate which was 9.2% on November 30, 1996. The loan was payable in 120 monthly equal installments commencing October 1995, however, was fully repaid in November 1996.

Maturities on long-term debt for the next five fiscal years are as follows:

1998	-
1999	-
2000	-
2001	\$2,269
2002	-
	=====

(11) Income Taxes

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

	November 30,		
	1997	1996	1995
	----	----	----
Domestic Operations	\$42,613	\$ (21,899)	\$ (12,424)
Foreign Operations	829	1,264	(2,262)
	-----	-----	-----
	\$43,442	\$ (20,635)	\$ (14,686)
	=====	=====	=====

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

	November 30,	
	1997	1996
Income (loss) from continuing operations	\$22,420	\$ 5,834
Stockholders' equity		
Unrealized holding gain (loss) on investment securities recognized for financial reporting purposes	1,174	(13,143)
Unrealized holding gain on equity collar recognized for financial reporting purposes	473	-
	-----	-----
Total income tax expense (recovery)	\$24,067	\$ (7,309)
	=====	=====

(Continued)

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

The provision for (recovery of) income taxes attributable to income from continuing operations is comprised of:

	Federal	Foreign	State	Total
1995:				
Current	\$ 1,455	\$ 570	\$ 330	\$ 2,355
Deferred	(4,189)	-	(969)	(5,158)
	-----	-----	-----	-----
	\$ (2,734)	\$ 570	\$ (639)	\$ (2,803)
	=====	=====	=====	=====
1996:				
Current	\$ 3,711	\$ 802	\$ 853	\$ 5,366
Deferred	330	-	138	468
	-----	-----	-----	-----
	\$ 4,041	\$ 802	\$ 991	\$ 5,834
	=====	=====	=====	=====
1997:				
Current	\$ 23,316	\$1,159	\$ 1,068	\$ 25,543
Deferred	(2,845)	-	(278)	(3,123)
	-----	-----	-----	-----
	\$ 20,471	\$1,159	\$ 790	\$ 22,420
	=====	=====	=====	=====

A reconciliation of the provision for (recovery of) income taxes attributable to income (loss) from continuing operations computed at the Federal statutory rate to the reported provision for income taxes attributable to income (loss) from continuing operations is as follows:

	November 30,					
	1997		1996		1995	
	-----	-----	-----	-----	-----	-----
Tax provision (recovery) at						
Federal statutory rates	\$15,205	35.0%	\$ (7,222)	(35.0)%	\$ (5,140)	(35.0)%
Expense relating to exchange of subordinated debentures	4,578	10.5	11,421	55.3	-	-
Undistributed earnings from equity investments	123	0.3	128	0.6	1,330	9.1
State income taxes, net of Federal benefit	1,637	3.8	275	1.3	(415)	(2.8)
(Decrease) increase in beginning-of-the-year balance of the valuation allowance for deferred tax assets	(180)	(0.4)	1,270	6.2	644	4.3
Foreign tax rate differential	323	0.7	30	0.1	(34)	(0.2)
Expense relating to the issuance of warrants	-	-	-	-	1,022	6.9
Other, net	734	1.7	(68)	(0.2)	(210)	(1.4)
	-----	-----	-----	-----	-----	-----
	\$22,420	51.6%	\$ 5,834	28.3%	\$ (2,803)	(19.1)%
	=====	=====	=====	=====	=====	=====

(Continued)

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

The significant components of deferred income tax expense (recovery) for the years ended November 30, 1997 and 1996 are as follows:

	November 30,	
	1997	1996
Deferred tax recovery (exclusive of the effect of other components listed below)	\$ (2,938)	\$ (802)
(Decrease) increase in beginning-of-the-year balance of the valuation allowance for deferred tax assets	(180)	1,270
	-----	-----
	\$ (3,118)	\$ 468
	=====	=====

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

	November 30,	
	1997	1996
Deferred tax assets:		
Accounts receivable, principally due to allowance for		
doubtful accounts and cellular deactivations	\$ 1,483	\$ 1,593
Inventory, principally due to additional costs		
capitalized for tax purposes pursuant to the Tax		
Reform Act of 1986	439	306
Inventory, principally due to valuation reserve	941	930
Accrual for future warranty costs	830	978
Plant, equipment, and certain intangibles, principally		
due to depreciation and amortization	719	714
Net operating loss carryforwards, state and foreign	2,662	2,458
Accrued liabilities not currently deductible	405	491
Other	381	664
	-----	-----
Total gross deferred tax assets	7,860	8,134
Less: valuation allowance	(2,713)	(2,893)
	-----	-----
Net deferred tax assets	5,147	5,241
	-----	-----
Deferred tax liabilities:		
Equity investments, principally due to undistributed		
earnings	(8,506)	(10,548)
Equity collar	(473)	-
	-----	-----
Total gross deferred tax liabilities	(8,979)	(10,548)
	-----	-----
Net deferred tax liability	\$ (3,832)	\$ (5,307)
	=====	=====

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AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

The net change in the total valuation allowance for the year ended November 30, 1997 was a decrease of \$180. A valuation allowance is provided when it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. The Company has established valuation allowances primarily for net operating loss carryforwards in certain states and foreign countries as well as other deferred tax assets in foreign countries. Based on the Company's ability to carry back future reversals of deferred tax assets to taxes paid in current and prior years and the Company's historical taxable income record, adjusted for unusual items, management believes it is likely that the Company will realize the benefit of the net deferred tax assets existing at November 30, 1997. Further, management believes the existing net deductible temporary differences will reverse during periods in which the Company generates net taxable income. There can be no assurance, however, that the Company will generate any earnings or any specific level of continuing earnings in the future. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

At November 30, 1997, the Company had net operating loss carryforwards for state and foreign income tax purposes of approximately \$21,851, which are available to offset future state and foreign taxable income, if any, which will expire through the year ended November 30, 2011.

(12) Capital Structure

The Company's capital structure is as follows:

Security	Par Value	Shares Authorized		Shares Issued and Outstanding		Per Share	Voting Rights Liquidation Rights
		November 30, 1997	1996	November 30, 1997	1996		
Preferred Stock	\$50.00	50,000	50,000	50,000	50,000	-	\$50 per share
Series Preferred Stock	0.01	1,500,000	1,500,000	-	-	-	-
Class A Common Stock	0.01	30,000,000	30,000,000	16,963,533	14,040,414	One	Ratably with Class B
Class B Common Stock	0.01	10,000,000	10,000,000	2,260,954	2,260,954	Ten	Ratably with Class A

The holders of Class A and Class B Common Stock are entitled to receive cash or property dividends declared by the Board of Directors. The Board can declare cash dividends for Class A Common Stock in amounts equal to or greater than the cash dividends for Class B Common Stock. Dividends other than cash must be declared equally for both classes. Each share of

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AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Class B Common Stock may, at any time, be converted into one share of Class A Common Stock.

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

On May 16, 1997, the Company's Board of Directors approved the repurchase of 1,000,000 shares of the Company's Class A Common Stock in the open market under a share repurchase program (the Program). As of November 30, 1997, 290,000 shares were repurchased under the Program at an average price of \$8.35 per share for an aggregate amount of \$2,421. Subsequent to November 30, 1997, 50,000 shares have been repurchased under the Program at an average price of \$7.37 per share for an aggregate amount of \$368.

As of November 30, 1997 and 1996, 969,500 shares of the Company's Class A Common Stock are reserved for issuance under the Company's Stock Option and Restricted Stock Plans and 5,491,192 for all convertible securities and warrants outstanding at November 30, 1997 and 1996 (Notes 10 and 13).

Undistributed earnings from equity investments included in retained earnings amounted to \$1,564 and \$3,728 at November 30, 1997 and 1996, respectively.

(13) Common Stock and Compensation Plans

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

Compensation expense is recorded with respect to the options based upon the quoted market value of the shares and the exercise provisions at the date of grant. Compensation expense for the year ended November 30, 1996 and 1995 was \$97 and \$113, respectively. No compensation expense was recorded for the year ended November 30, 1997.

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Information regarding the Company's stock option plans is summarized below:

	Number of Shares	Weighted Average Exercise Price
Outstanding at		
November 30, 1994	313,000	11.72
Granted	279,000	5.88
Exercised	-	-
Canceled	(33,750)	11.76
	-----	-----
Outstanding at		
November 30, 1995	558,250	8.80
Granted	-	-
Exercised	-	-
Canceled	(9,500)	10.17
	-----	-----
Outstanding at		
November 30, 1996	548,750	8.78
Granted	1,260,000	7.09
Exercised	-	-
Canceled	(109,000)	10.95
	-----	-----
Outstanding at		
November 30, 1997	1,699,750	7.38
	=====	=====
Options exercisable,	166,750	12.10
	=====	=====
November 30, 1997		

At November 30, 1997 and 1996, 190,250 and 341,250 shares, respectively, were available for future grants under the terms of these plans.

The Company adopted SFAS No. 123 in fiscal 1997. The Company has elected to disclose the pro forma net earnings and earnings per share as if such method had been used to account for stock-based compensation costs as described in SFAS No. 123.

The per share weighted average fair value of stock options granted during 1997 was \$5.73 on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions: risk free interest rate of 6.49%, expected dividend yield of 0.0%, expected stock volatility of 70% and an expected option life of 10 years. No options were granted in 1996.

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

The Company applies APB Opinion No. 25 in accounting for its stock option grants and, accordingly, no compensation cost has been recognized in the financial statements for its stock options which have an exercise price equal to or greater than the fair value of the stock on the date of the grant. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's net income (loss) and net income (loss) per common share would have been reduced to the proforma amounts indicated below:

	1997 ----	1996 ----
Net income (loss):		
As reported	\$21,022	\$(26,469)
Pro forma	18,786	(26,469)
Net income (loss) per common share (primary):		
As reported	\$1.09	\$(2.82)
Pro forma	0.97	(2.82)
Net income (loss) per common share (fully diluted):		
As reported	1.05	-
Pro forma	0.94	-

Proforma net earnings reflect only options granted in 1997 and 1996. Therefore, the full impact of calculating compensation cost for stock options under SFAS No. 123 is not reflected in the proforma net earnings amounts presented above because compensation cost is reflected over the options' vesting period and compensation cost for options granted prior to December 1, 1995 was not considered.

Summarized information about stock options outstanding as of November 30, 1997 is as follows:

Exercise Price Range	Number of Shares	Outstanding		Exercisable	
		Weighted Average Exercise Price of Shares	Weighted Average Life Remaining In Years	Number of Shares	Weighted Average Price of Shares
\$5.50 - \$8.00	1,533,000	6.87	9.22	-	-
\$8.01 - \$13.00	166,750	12.10	6.50	166,750	\$ 12.10
	----- 1,699,750 =====			----- 166,750 =====	

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AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

(b) Restricted Stock Plan

The Company has restricted stock plans under which key employees and directors may be awarded restricted stock. Total restricted stock outstanding, granted under these plans, at November 30, 1997 and 1996 was 78,500 and 79,500, respectively.

The per share weighted average fair value of restricted stock awards granted in 1995 was \$5.88 on the date of the grant. The fair value was determined to be the fair market value of the Company's Class A Common Stock on the date of the grant. No restricted stock awards were granted in 1997 or 1996.

Compensation expense for the performance accelerated shares is recorded based upon the quoted market value of the shares on the date of grant. Compensation expense for the performance restricted shares is recorded based upon the quoted market value of the shares on the balance sheet date. Compensation expense for these grants for the years ended November 30, 1997, 1996 and 1995 were \$135, \$200 and \$127, respectively.

(c) Employee Stock Purchase Plan

In May 1993, the stockholders approved the 1993 Employee Stock Purchase Plan. The stock purchase plan provides eligible employees an opportunity to purchase shares of the Company's Class A Common Stock through payroll deductions up to 15% of base salary compensation. Amounts withheld are used to purchase Class A Common Stock on or about the last business day of each month at a price equal to 85% of the fair market value. This Plan provides for purchases of up to 1,000,000 shares.

(d) Stock Warrants

During the third quarter of fiscal 1993, pursuant to a consulting agreement effective April 1993, the Company granted warrants to purchase 100,000 shares of Class A Common Stock, which have been reserved, at \$7.50 per share. The warrants, which are exercisable in whole or in part at the discretion of the holder, expire on December 31, 1998. There were no warrants exercised as of November 30, 1997. The consulting agreement, valued at \$100, was expensed in 1994 when the services to be provided, pursuant to the consulting agreement, were completed.

In December 1993, the Company granted warrants to purchase 50,000 shares of Class A Common Stock at a purchase price of \$14.375 per share as part of the acquisition of H & H Eastern Distributors, Inc. The per share purchase price and number of shares purchasable are each subject to adjustment upon the occurrence of certain events described in the warrant agreement. The warrants are exercisable, in whole or in part, from time-to-time, until September 22, 2003. If the warrants are exercised in whole, the holder thereof

(Continued)

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

has the right to require the Company to file with the Securities Exchange Commission a registration statement relating to the sale by the holder of the Class A Common Stock purchasable pursuant to the warrant.

On May 9, 1995, the Company issued 1,668,875 warrants in a private placement, each convertible into one share of Class A Common Stock at \$7 1/8, subject to adjustment under certain circumstances. The warrants were issued to the beneficial holders as of June 3, 1994, of approximately \$57,600 of the Company's Subordinated Debentures in exchange for a release of any claims such holders may have against the Company, its agents, directors and employees in connection with their investment in the Subordinated Debentures. As a result, the Company incurred a warrant expense of \$2,900 and recorded a corresponding increase to paid in capital. The warrants are not exercisable after March 15, 2001, unless sooner terminated under certain circumstances. John J. Shalam, Chief Executive Officer of the Company, has granted the Company an option to purchase 1,668,875 shares of Class A Common Stock from his

personal holdings. The exercise price of this option is \$7 1/8, plus the tax impact, if any, should the exercise of this option be treated as dividend income rather than capital gains to Mr. Shalam.

During fiscal 1997, the Company granted warrants to purchase 100,000 shares of Class A Common Stock, which have been reserved, at \$6.75 per share. The warrants, which are exercisable in whole or in part at the discretion of the holder, expire on January 29, 2002. There were no warrants exercised as of November 30, 1997.

(e) Profit Sharing Plans

The Company has established two non-contributory employee profit sharing plans for the benefit of its eligible employees in the United States and Canada. The plans are administered by trustees appointed by the Company. A contribution of \$500 and \$150 was made by the Company to the United States plan in fiscal 1997 and 1996, respectively. No contributions were made to the plan for fiscal year 1995. Contributions required by law to be made for eligible employees in Canada were not material.

(14) Export Sales

Export sales of approximately \$102,659 and \$87,334 for the years ended November 30, 1997 and 1996, respectively, exceeded 10% of sales. Export sales for the year ended November 30, 1995 did not exceed 10% of sales.

(Continued)

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

(15) Lease Obligations

At November 30, 1997, the Company was obligated under non-cancelable leases for equipment and warehouse facilities for minimum annual rental payments as follows:

	Operating Leases
1998	\$1,377
1999	904
2000	504
2001	217
2002	25
Thereafter	2

Total	\$3,029
	=====

Rental expense for the above-mentioned operating lease agreements and other leases on a month-to-month basis approximated \$2,516, \$2,292 and \$4,080 for the years ended November 30, 1997, 1996 and 1995, respectively.

The Company leases certain facilities from its principal stockholder and several officers. Rentals for such leases are considered by management of the Company to approximate prevailing market rates. At November 30, 1997, minimum annual rental payments on these related party leases, which are included in the above table, are as follows:

1998	\$162
1999	23

(16) Financial Instruments

(a) Derivative Financial Instruments

(1) Forward Exchange Contracts

At November 30, 1997 and 1996, the Company had contracts to exchange foreign currencies in the form of forward exchange contracts in the amount of \$26,502 and \$5,451, respectively. These contracts have varying maturities with none exceeding one year as of November 30, 1997. For the years ended November 30, 1997, 1996 and 1995, gains and losses on foreign currency transactions which were not hedged were not material. For the years ended November 30, 1997, 1996 and 1995, there were no gains or losses as a result of terminating hedges prior to the transaction date.

(Continued)

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AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

(2) Equity Collar

The Company entered into an equity collar on September 26, 1997 to maintain some of the unrealized gains associated with its investment in CellStar (Note 6). The equity collar provides that on September 26, 1998, the Company can put 100,000 shares of CellStar to the counter party to the equity collar (the bank) at \$38 per share in exchange for the bank being able to call the 100,000 shares of CellStar at \$51 per share. The Company has designated this equity collar as a hedge of 100,000 of its shares in CellStar being that it provides the Company with protection against the market value of CellStar shares falling below \$38. Given the high correlation of the changes in the market value of the item being hedged to the item underlying the equity collar, the Company applied hedge accounting for this equity collar. The equity collar is recorded on the balance sheet at fair value with gains and losses on the equity collar reflected as a separate component of equity.

Subsequent to year end, the Company sold the equity collar for \$1,499 in cash.

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

(b) Off-Balance Sheet Risk

Commercial letters of credit are issued by the Company during the ordinary course of business through major domestic banks as requested by certain suppliers. The Company also issues standby letters of credit principally to secure certain bank obligations of Audiovox Communications and Audiovox Venezuela (Note 9(a)). The Company had open commercial letters of credit of approximately \$19,078 and \$23,785, of which \$10,625 and

\$17,400 were accrued for as of November 30, 1997 and 1996, respectively. The terms of these letters of credit are all less than one year. No material loss is anticipated due to nonperformance by the counter parties to these agreements. The fair value of these open commercial and standby letters of credit is estimated to be the same as the contract values based on the nature of the fee arrangements with the issuing banks.

The Company is a party to a joint and several guarantee on behalf of G.L.M. up to the amount of \$200. There is no market for this guarantee and it was issued without explicit cost. Therefore, it is not practicable to establish its fair value.

(Continued)

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

(c) Concentrations of Credit Risk

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

At November 30, 1997, two customers, a cellular carrier and service provider and a Bell Operating Company, accounted for approximately 8.7% and 5.3%, respectively, of accounts receivable. At November 30, 1996, two customers, which included a cellular carrier and service provider and a Bell Operating Company accounted for approximately 11% and 10%, respectively, of accounts receivable.

During the year ended November 30, 1997, two customers, a cellular carrier and service provider and a Bell Operating Company, accounted for approximately 11.3% and 9.0%, respectively, of the Company's 1997 sales. During the year ended November 30, 1996, two customers, a Bell Operating Company and a cellular carrier and service provider, accounted for approximately 12% and 9%, respectively, of the Company's 1996 sales. During the year ended November 30, 1995, two Bell Operating Companies and a cellular carrier and service provider accounted for approximately 6%, 7% and 7%, respectively, of the Company's 1995 sales.

The Company generally grants credit based upon analyses of its customers' financial position and previously established buying and payment patterns. The Company establishes collateral rights in accounts receivable and inventory and obtains personal guarantees from certain customers based upon management's credit evaluation. At November 30, 1997 and 1996, 43 and 44 customers, respectively, representing approximately 69% and 70%, of outstanding accounts receivable, had balances owed greater than \$500.

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

(d) Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value. The carrying value of all financial instruments classified as a current asset or liability is deemed to approximate fair value, with the exception of current installments of long-term debt,

(Continued)

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AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

because of the short maturity of these instruments.

Investment Securities

The carrying amount represents fair value, which is based upon quoted market prices at the reporting date (Note 6).

Equity Collar (Derivative)

The carrying amount represents fair value, which is based upon the Black Scholes option-pricing model.

Long-Term Debt Including Current Installments

The carrying amount of bank debt under the Company's revolving Credit Agreement and Malaysian Credit Agreement approximates fair value because of the short maturity of the related obligations. With respect to the Subordinated Debentures, fair values are based on published statistical data.

Forward Exchange Contracts (Derivative)

The fair value of the forward exchange contracts are based upon exchange rates at November 30, 1997 and 1996 as the contracts are short term.

The estimated fair value of the Company's financial instruments are as follows:

	November 30, 1997		November 30, 1996	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Equity collar (derivative)	\$ 1,246	\$ 1,246	-	-
Long-term obligations including current installments	\$30,491	\$30,910	\$ 59,865	\$ 56,046
Forward exchange contract obligation (derivative)	-	\$26,125	-	5,316

(Continued)

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AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Limitations

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

(17) Contingencies

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

The Company has guaranteed certain obligations of its equity investments and has established standby letters of credit to guarantee the bank obligations of Audiovox Communications and Audiovox Venezuela (Note 16(b)).

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Item 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

PART III

Item 10 - Directors and Executive Officers of the Registrant

Information regarding this item is set forth under the captions "Election of Directors" of the Company's Proxy Statement to be dated March 27, 1998, which will be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 (the Proxy Statement) and is incorporated herein by reference. Information with regard to Executive Officers is set forth in Item 1 of this Form 10-K.

Item 11 - Executive Compensation

The information regarding this item is set forth under the caption "Executive Compensation" of the Proxy Statement and is incorporated herein by reference.

Item 12 - Security Ownership of Certain Beneficial Owners and Management

The information regarding this item is set forth under the caption "Beneficial Ownership of Common Stock" of the Proxy Statement and is incorporated herein by reference.

Item 13 - Certain Relationships and Related Transactions

Information regarding this item is set forth under the caption "Beneficial Ownership of Common Stock", "Election of Directors" and "Executive Compensation" of the Proxy Statement.

PART IV

Item 14 - Exhibits, Consolidated Financial Statement Schedules, and Reports on Form 8-K

(a) (1)

The following financial statements are included in Item 8 of this Report:

Independent Auditors' Report

Consolidated Balance Sheets of Audiovox Corporation and Subsidiaries as of November 30, 1997 and 1996.

Consolidated Statements of Income (Loss) of Audiovox Corporation and Subsidiaries for the Years Ended November 30, 1997, 1996 and 1995.

Consolidated Statements of Stockholders' Equity of Audiovox Corporation and Subsidiaries for the Years Ended November 30, 1997, 1996 and 1995.

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Consolidated Statements of Cash Flows of Audiovox Corporation and Subsidiaries for the Years Ended November 30, 1997, 1996 and 1995.

Notes to Consolidated Financial Statements.

(a) (2)

Financial Statement Schedules of the Registrant for the Years Ended November 30, 1997, 1996 and 1995.

Independent Auditors' Report on Financial Statement Schedules

Schedule Number	Description	Page Number
II	Valuation and Qualifying Accounts	67

All other financial statement schedules not listed are omitted because they are either not required or the information is otherwise included.

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Independent Auditors' Report

The Board of Directors and Stockholders
Audiovox Corporation:

Under the date of March 6, 1998 we reported on the consolidated balance sheets of Audiovox Corporation and subsidiaries as of November 30, 1997 and 1996, and the related consolidated statements of income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended November 30, 1997, which are included in the Company's 1997 annual report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedules in the 1997 annual report on Form 10-K. These consolidated financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation

to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

s/KPMG Peat Marwick LLP
KPMG PEAT MARWICK LLP

Jericho, New York
March 6, 1998

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(3) Exhibits See Item 14(c) for Index of Exhibits.

(b) Reports on Form 8-K

During the fourth quarter, the Registrant filed one report on Form 8-K. The Form 8-K, dated August 19, 1997 and filed September 4, 1997, reported that the Company had executed a Ninth Amendment to the Company's Second Amended and Restated Credit Agreement (the Amendment). The Amendment, among other things, (i) increased the aggregate amount of the lenders' commitments under the Credit Agreement to \$95,000,000; (ii) extended the term of the Credit Agreement to February 28, 2000; and (iii) decreased the applicable margin on base rate and Eurodollar loans.

(c) Exhibits

Exhibit Number	Description
3.1	Certificate of Incorporation of the company (incorporated by reference to the Company's Registration Statement on Form S-1; No. 33-107, filed May 4, 1987).
3.1a	Amendment to Certificate of Incorporation (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended November 30, 1993).
3.2	By-laws of the Company (incorporated by reference to the Company's Registration Statement on Form S-1; No. 33-10726, filed May 4, 1987).
10.1	Eighth Amendment, dated as of March 7, 1997, to the Second Amended and Restated Credit Agreement among the Registrant and the several banks and financial institutions (filed via EDGAR herewith).
10.2	Ninth Amendment, dated as of August 19, 1997, to the Second Amended and Restated Credit Agreement among the Registrant and the several banks and financial institutions (incorporated by reference to the Company's Form 8-K filed via EDGAR on September 4, 1997).
10.3	Tenth Amendment, dated as of October 24, 1997, to the Second Amended and Restated Credit Agreement among the Registrant and the several banks and financial institutions (filed via EDGAR herewith).
11	Statement of Computation of Income (Loss) per Common Share (filed via EDGAR herewith).
21	Subsidiaries of the Registrant (filed via EDGAR herewith).
23	Independent Auditors Consent (filed via EDGAR herewith).
27	Financial Data Schedule (filed via EDGAR herewith).

(d) All other schedules are omitted because the required information is shown in the financial statements or notes thereto or because they are

not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

March 11, 1998

BY:s/John J. Shalam
John J. Shalam, President
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
- ----- s/John J. Shalam John J. Shalam	President; Chief Executive Officer (Principal Executive Officer and Director	March 11, 1998
s/Philip Christopher Philip Christopher	Executive Vice President and Director	March 11, 1998
s/Charles M. Stoehr Charles M. Stoehr	Senior Vice President, Chief Financial Officer (Principal Financial and Accounting Officer) and Director	March 11, 1998
s/Patrick M. Lavelle Patrick M. Lavelle	Director	March 11, 1998
s/Ann Boutcher Ann Boutcher	Director	March 11, 1998
s/Gordon Tucker Gordon Tucker	Director	March 11, 1998
s/Irving Halevy Irving Halevy	Director	March 11, 1998
s/Richard Maddia Richard Maddia	Director	March 11, 1998
s/Paul C. Kreuch, Jr. Paul C. Kreuch, Jr.	Director	March 11, 1998

AUDIOVOX CORPORATION AND SUBSIDIARIES

Valuation and Qualifying Accounts

Years Ended November 30, 1997, 1996 and 1995
(In thousands)

Column A ----- Description	Column B ----- Balance at Beginning Of Year	Column C ----- Charged to Costs and Expenses	Column D ----- Charged to Other Accounts	Column D ----- Deductions	Column E ----- Balance At End Of Year
1997					
Allowance for doubtful accounts	\$ 3,115	\$ 1,300	-	\$ 918	\$ 3,497
Cash discount allowances	314	-	-	125	189
Co-op advertising and volume rebate allowances	6,977	12,283	-	13,588	5,672
Allowance for cellular deactivations	1,666	-	-	303	1,363
Reserve for warranties and product repair costs	4,975	2,316	-	3,223	4,068
	-----	-----	-----	-----	-----
	\$17,047	\$15,899	-	\$18,157	\$14,789
	=====	=====	=====	=====	=====
1996					
Allowance for doubtful accounts	\$ 2,707	\$ 430	-	\$ 22	\$ 3,115
Cash discount allowances	165	149	-	-	314
Co-op advertising and volume rebate allowances	3,225	17,629	-	13,877	6,977
Allowance for cellular deactivations	1,725	-	-	59	1,666
Reserve for warranties and product repair costs	3,948	3,784	-	2,757	4,975
	-----	-----	-----	-----	-----
	\$11,770	\$21,992	-	\$16,715	\$17,047
	=====	=====	=====	=====	=====
1995					
Allowance for doubtful accounts	\$ 1,623	\$ 1,816	-	\$ 732	\$ 2,707
Cash discount allowances	237	-	-	72	165
Co-op advertising and volume rebate allowances	2,688	7,621	-	7,084	3,225
Allowance for cellular deactivations	1,234	491	-	-	1,725
Reserve for warranties and product repair costs	3,207	3,834	-	3,093	3,948
	-----	-----	-----	-----	-----
	\$ 8,989	\$13,762	-	\$10,981	\$11,770
	=====	=====	=====	=====	=====

EIGHTH AMENDMENT, dated as of March 7, 1997 (this "Amendment"), to the Second Amended and Restated Credit Agreement, dated as of May 5, 1995 (as amended pursuant to the First Amendment thereto dated as of December 22, 1995, the Second Amendment thereto dated as of February 9, 1996, the Third Amendment thereto dated as of May 13, 1996, the Fourth Amendment and Consent thereto, dated as of July 29, 1996, the Fifth Amendment thereto dated as of September 10, 1996, the Sixth Amendment thereto dated as of November 27, 1996, the Seventh Amendment and Waiver thereto dated as of February 5, 1997 and this Amendment, and as the same may be further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among AUDIOVOX CORPORATION, a Delaware corporation (the "Borrower"), the several banks and other financial institutions from time to time parties thereto (collectively, the "Lenders"; individually, a "Lender") and THE CHASE MANHATTAN BANK, a New York banking corporation, as administrative and collateral agent for the Lenders (in such capacity, the "Agent").

W I T N E S S E T H :

WHEREAS, the Borrower, the Lenders and the Agent are parties to the Credit Agreement; and

WHEREAS, the Borrower intends to enter into a joint venture with ASA Corporation ("ASA") pursuant to which (i) the Borrower and ASA will form a Delaware limited liability company under the name "Audiovox Specialized Applications LLC" (the "ASA Joint Venture Company"), (ii) each of the Borrower and ASA will own 50% of the outstanding Capital Stock of the ASA Joint Venture Company, (iii) Audiovox will contribute or transfer to the ASA Joint Venture Company approximately \$4,600,000 in cash and approximately \$3,000,000 in assets of its Heavy Duty Sound Division and (iv) ASA will contribute to the ASA Joint Venture Company approximately \$10,700,000 in assets (collectively, the "ASA Joint Venture Transactions");

WHEREAS, the Borrower has requested that the Lenders amend certain terms in the Credit Agreement in the manner provided for herein in connection with the ASA Joint Venture Transactions; and

WHEREAS, the Agent and the Lenders are willing to agree to the requested amendment;

NOW, THEREFORE, in consideration of the premises contained herein, the parties hereto agree as follows:

1. Defined Terms. Unless otherwise defined herein, terms which are defined in the Credit Agreement and used herein (and in the recitals hereto) as defined terms are so used as so defined.

2. Amendment of Subsection 1.1. Subsection 1.1 of the Credit Agreement is hereby amended by adding a new definition in the proper alphabetical order to read in its entirety as follows:

"Eight Amendment": the Eighth Amendment to this Agreement, dated as of March 7, 1997.

3. Amendment of Subsection 9.6. Subsection 9.6 of the Credit Agreement is hereby amended ----- as follows:

(a) by deleting the word "and" at the end of paragraph (g) thereof;

(b) by deleting "." at the end of paragraph (h) thereof and substituting in lieu thereof, "; and"; and

(c) by adding the following new paragraph at the end thereof:

"(i) the sale or transfer of the assets of the Borrower's Heavy Duty Sound Division in connection with the ASA Joint Venture Transactions (as defined in the Eight Amendment)."

4. Amendment of Subsection 9.9. Subsection 9.9 of the Credit Agreement is hereby amended by (a) inserting after clause (ii) in paragraph (f) a new clause to read as follows: "and (iii) Investments not exceeding \$7,600,000 in the aggregate in connection with the ASA Joint Venture Transactions (as defined in the Eighth Amendment)" and (b) by inserting the words "pursuant to clauses (i) and (ii) above" after the phrase "Investments and acquisitions" appearing in the proviso to such paragraph.

5. Representations and Warranties. On and as of the date hereof, the Borrower hereby confirms, reaffirms and restates the representations and warranties set forth in Section 6 of the Credit Agreement mutatis mutandis, except to the extent that such representations and warranties expressly relate to a specific earlier date in which case the Borrower hereby confirms, reaffirms and restates such representations and warranties as of such earlier date.

6. Effectiveness. This Amendment shall become effective as of the date first written above upon receipt by the Agent of counterparts of this Amendment duly executed by the Borrower and the Required Lenders.

7. Continuing Effect; No Other Amendments. Except as expressly provided herein, all of the terms and provisions of the Credit Agreement are and shall remain in full force and effect. The amendment provided for herein is limited to the specific subsection of the Credit Agreement specified herein and shall not constitute a consent, waiver or amendment of, or an indication of the Agent's or the Lenders' willingness to consent to any action requiring consent under or to waive or amend, any other provisions of the Credit Agreement or the same subsection for any other date or time period (whether or not such other provisions or compliance with such subsections for another date or time period are affected by the circumstances addressed in this Amendment).

8. Expenses. The Borrower agrees to pay and reimburse the Agent for all its reasonable costs and out-of-pocket expenses incurred in connection with the preparation and delivery of this Amendment, including, without limitation, the reasonable fees and disbursements of counsel to the Agent.

9. Counterparts. This Amendment may be executed in any number of counterparts by the parties hereto (including by facsimile transmission), each of which counterparts when so executed shall be an original, but all the counterparts shall together constitute one and the same instrument.

10. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their respective duly authorized officers as of the date first above written.

AUDIOVOX CORPORATION

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Senior Vice President

THE CHASE MANHATTAN BANK,
as Agent and as a Lender

By: s/Roland F. Driscoll
Name: Roland F. Driscoll
Title: Vice President

FLEET BANK, N.A., as a Lender

By: s/ Steven J. Melicharek
Name: Steven J. Melicharek
Title: Senior Vice President

BANK OF BOSTON, as a Lender

By: s/Robert J. Brandow
Name: Robert J. Brandow
Title: Director

EUROPEAN AMERICAN BANK,
as a Lender

By: s/Stuart N. Berman
Name: Stuart N. Berman
Title: Vice President

THE CIT GROUP/BUSINESS CREDIT, INC.
as a Lender

By: s/Edward A. Jesser
Name: Edward A. Jesser
Title: Vice President

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ACKNOWLEDGEMENT AND CONSENT

Each of the undersigned corporations (i) as a guarantor under that certain Amended and Restated Subsidiaries Guarantee, dated as of March 15, 1994 (the "Guarantee"), made by each of such corporations in favor of the Collateral Agent and (ii) as a grantor under that certain Amended and Restated Security Agreement, dated as of March 15, 1994 (the "Security Agreement"), made by each of such corporations in favor of the Collateral Agent, confirms and agrees that the Guarantee and the Security Agreement are, and shall continue to be, in full force and effect and are hereby ratified and confirmed in all respects and the Guarantee and the Security Agreement and all of the Subsidiaries Collateral (as defined in the Security Agreement) do, and shall continue to, secure the payment of all of the Obligations (as defined in the Guarantee) and the Secured Obligations (as defined in the Security Agreement), as the case may be, pursuant to the terms of the Guarantee or the Security Agreement, as the case may be. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement referred to in the Amendment to which this Acknowledgement and Consent is attached.

QUINTEX COMMUNICATIONS CORP.

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

QUINTEX MOBILE
COMMUNICATIONS CORP.

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

HERMES TELECOMMUNICATIONS
INC.

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Secretary/Treasurer

LENEX CORPORATION

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Secretary/Treasurer

AMERICAN RADIO CORP.

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

AUDIOVOX INTERNATIONAL CORP.

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Senior Vice President

AUDIOVOX HOLDING CORP.

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Secretary

AUDIOVOX CANADA LIMITED

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

AUDIOVOX ASIA INC.

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

AUDIOVOX LATIN AMERICA LTD.

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

AUDIOVOX COMMUNICATIONS CORP.

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Secretary

Dated as of March 7, 1997

TENTH AMENDMENT, dated as of October 24, 1997 (this "Amendment"), to the Second Amended and Restated Credit Agreement, dated as of May 5, 1995 (as amended pursuant to the First Amendment thereto dated as of December 22, 1995, the Second Amendment thereto dated as of February 9, 1996, the Third Amendment thereto dated as of May 13, 1996, the Fourth Amendment and Consent thereto, dated as of July 29, 1996, the Fifth Amendment thereto dated as of September 10, 1996, the Sixth Amendment thereto dated as of November 27, 1996, the Seventh Amendment and Waiver thereto dated as of February 5, 1997, the Eighth Amendment thereto dated as of March 7, 1997, the Ninth Amendment thereto dated as of August 19, 1997 and this Amendment, and as the same may be further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among AUDIOVOX CORPORATION, a Delaware corporation (the "Borrower"), the several banks and other financial institutions from time to time parties thereto (collectively, the "Lenders"; individually, a "Lender") and THE CHASE MANHATTAN BANK, a New York banking corporation, as administrative and collateral agent for the Lenders (in such capacity, the "Agent").

W I T N E S S E T H :

WHEREAS, the Borrower, the Lenders and the Agent are parties to the Credit Agreement; and

WHEREAS, the Borrower intends to enter into a joint venture with Namsung Corporation ("Namsung") pursuant to which (i) the Borrower and Namsung will form a Delaware limited liability company under the name "Rampage Technologies" ("Rampage"), (ii) the Borrower will own 10% of the outstanding Capital Stock of Rampage and Namsung will own 90% of the outstanding Capital Stock of Rampage, (iii) Audiovox will contribute to Rampage approximately \$300,000 in cash and sell to Rampage up to \$15,000,000 in assets of its AV Division and (iv) Namsung will contribute to Rampage approximately \$2,700,000 in cash (collectively, the "Rampage Joint Venture Transactions");

WHEREAS, the Borrower has requested that the Lenders amend certain terms in the Credit Agreement in the manner provided for herein in connection with the Rampage Joint Venture Transactions; and

WHEREAS, the Agent and the Lenders are willing to agree to the requested amendment;

NOW, THEREFORE, in consideration of the premises contained herein, the parties hereto agree as follows:

1. Defined Terms. Unless otherwise defined herein, terms which are defined in the Credit Agreement and used herein (and in the recitals hereto) as defined terms are so used as so defined.

Exhibit 10.3

2. Amendment of Subsection 1.1. Subsection 1.1 of the Credit Agreement is hereby amended by adding a new definition in the proper alphabetical order to read in its entirety as follows:

"Tenth Amendment": the Tenth Amendment to this Agreement, dated as of October 24, 1997.

3. Amendment of Subsection 9.6. Subsection 9.6 of the Credit Agreement is hereby amended as follows:

(a) by deleting the word "and" at the end of paragraph (h) thereof;

(b) by deleting "." at the end of paragraph (i) thereof and substituting in lieu thereof, "; and"; and

(c) by adding the following new paragraph at the end thereof:

"(j) the sale or transfer of the assets of the Borrower's AV Division in connection with the Rampage Joint Venture Transactions (as defined in the Tenth Amendment)."

4. Representations and Warranties. On and as of the date hereof, the Borrower hereby confirms, reaffirms and restates the representations and warranties set forth in Section 6 of the Credit Agreement mutatis mutandis, except to the extent that such representations and warranties expressly relate to a specific earlier date in which case the Borrower hereby confirms, reaffirms and restates such representations and warranties as of such earlier date.

5. Effectiveness. This Amendment shall become effective as of the date first written above upon receipt by the Agent of counterparts of this Amendment duly executed by the Borrower and the Required Lenders.

6. Continuing Effect; No Other Amendments. Except as expressly provided herein, all of the terms and provisions of the Credit Agreement are and shall remain in full force and effect. The amendment provided for herein is limited to the specific subsection of the Credit Agreement specified herein and shall not constitute a consent, waiver or amendment of, or an indication of the Agent's or the Lenders' willingness to consent to any action requiring consent under or to waive or amend, any other provisions of the Credit Agreement or the same subsection for any other date or time period (whether or not such other provisions or compliance with such subsections for another date or time period are affected by the circumstances addressed in this Amendment).

7. Expenses. The Borrower agrees to pay and reimburse the Agent for all its reasonable costs and out-of-pocket expenses incurred in connection with the preparation and delivery of this Amendment, including, without limitation, the reasonable fees and disbursements of counsel to the Agent.

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8. Counterparts. This Amendment may be executed in any number of counterparts by the parties hereto (including by facsimile transmission), each of which counterparts when so executed shall be an original, but all the counterparts shall together constitute one and the same instrument.

9. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their respective duly authorized officers as of the date first above written.

AUDIOVOX CORPORATION

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Sr. Vice Pres. & Chief Executive Officer

THE CHASE MANHATTAN BANK,
as Agent and as a Lender

By: s/John K. Budzynski
Name: John K. Budzynski
Title: Assistant Treasurer

FLEET BANK, N.A., as a Lender

By: s/Steven J. Melicharek
Name: Steven J. Melicharek
Title: Sr. Vice President

BANKBOSTON, as a Lender

By: s/Robert Brandow
Name: Robert Brandow
Title: Director

EUROPEAN AMERICAN BANK,
as a Lender

By: s/Anthony V. Pantina
Name: Anthony V. Pantina
Title: Assistant Vice President

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THE CIT GROUP/BUSINESS CREDIT, INC.
as a Lender

By: s/Karen Hoffman
Name: Karen Hoffman
Title: Assistant Vice President

MELLON BANK, N.A.,
as a Lender

By: s/Morris Danon
Name: Morris Danon
Title: Senior Vice President

ACKNOWLEDGMENT AND CONSENT

Each of the undersigned corporations (i) as a guarantor under that certain Amended and Restated Subsidiaries Guarantee, dated as of March 15, 1994 (the "Guarantee"), made by each of such corporations in favor of the Collateral Agent and (ii) as a grantor under that certain Amended and Restated Security Agreement, dated as of March 15, 1994 (the "Security Agreement"), made by each of such corporations in favor of the Collateral Agent, confirms and agrees that the Guarantee and the Security Agreement are, and shall continue to be, in full force and effect and are hereby ratified and confirmed in all respects and the Guarantee and the Security Agreement and all of the Subsidiaries Collateral (as defined in the Security Agreement) do, and shall continue to, secure the payment of all of the Obligations (as defined in the Guarantee) and the Secured Obligations (as defined in the Security Agreement), as the case may be, pursuant to the terms of the Guarantee or the Security Agreement, as the case may be. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement referred to in the Amendment to which this Acknowledgement and Consent is attached.

QUINTEX COMMUNICATIONS CORP.

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

QUINTEX MOBILE
COMMUNICATIONS CORP.

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

HERMES TELECOMMUNICATIONS
INC.

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Secretary/Treasurer

LENEX CORPORATION

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Secretary/Treasurer

AMERICAN RADIO CORP.

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

AUDIOVOX INTERNATIONAL CORP.

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Senior Vice President

AUDIOVOX HOLDING CORP.

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Secretary

AUDIOVOX CANADA LIMITED

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

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AUDIOVOX ASIA INC.

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

AUDIOVOX LATIN AMERICA LTD.

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

AUDIOVOX COMMUNICATIONS CORP.

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Secretary

Dated as of October 24, 1997

AUDIOVOX CORPORATION
 COMPUTATION OF INCOME (LOSS) PER COMMON SHARE
 YEARS ENDED NOVEMBER 30, 1997, 1996 AND 1995
 (IN THOUSANDS, EXCEPT PER SHARE DATA)

	1997	1996	1995
	----	----	----
Primary earnings:			
Net income (loss)	\$21,022	\$(26,469)	\$(11,883)
	=====	=====	=====
Shares			
Weighted average number of common shares outstanding	18,948	9,398	9,039
Additional shares assuming conversion of:			
Stock options, performance share awards and warrants	347	--	--
	-----	-----	-----
Weighted average common shares outstanding, as adjusted	19,295	9,398	9,039
	=====	=====	=====
Primary earnings per common share:			
Net income (loss)	\$ 1.09	\$ (2.82)	\$ (1.31)
	=====	=====	=====
Fully diluted earnings*:			
Net Income	\$21,022	--	--
Net interest expense related to convertible debt	185	--	--
	-----	-----	-----
Net income applicable to common stock	\$21,207	--	--
	=====	=====	-----
Shares			
Weighted average number of common shares outstanding	18,948	--	--
Additional shares assuming conversion of:			
Stock options, performance share awards, and warrants	913	--	--
Convertible debentures	252	--	--
	-----	-----	-----
Weighted average common shares outstanding, as adjusted	20,113	--	--
	=====	=====	-----
Fully diluted earnings per common share:			
Net income	1.05	--	--
	=====	=====	=====

*The Company did not compute fully-diluted earnings per share as the addition of potentially dilutive securities would result in anti-dilution.

SUBSIDIARIES OF REGISTRANT

Subsidiaries

- - - - -

Audiovox Communications Corp.
Quintex Communications Corp.
Quintex Mobile Communications Corp.
American Radio Corp.
Audiovox Holding Corp.
Audiovox Canada Limited
Audiovox Communications (Malaysia) Sdn. Bhd.
Audiovox Holdings (M) Sdn. Bhd.

Jurisdiction of
Incorporation

- - - - -

Delaware
New York
Delaware
Georgia
New York
Ontario
Malaysia
Malaysia

Independent Auditors' Consent

The Board of Directors and Stockholders
Audiovox Corporation:

We consent to incorporation by reference in the registration statements (No. 33-18119 and 33-65580) on Form S-8 and (No. 333-00811) on Form S-3 of Audiovox Corporation and subsidiaries of our report dated January 26, 1998, relating to the consolidated balance sheets of Audiovox Corporation and subsidiaries as of November 30, 1997 and 1996, and the related consolidated statements of income (loss), stockholders' equity and cash flows for each of the years in the three-year period ended November 30, 1997, and all related schedules, which report appears in the November 30, 1997 annual report on Form 10-K of Audiovox Corporation and subsidiaries.

s/KPMG PEAT MARWICK LLP
KPMG PEAT MARWICK LLP

Jericho, New York
March 11, 1998

Exhibit 23

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