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

FORM 10-Q

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

For Quarter Ended May 31, 1998

Commission file number 1-9532

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

Delaware	13-1964841
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
150 Marcus Blvd., Hauppauge, New York	11788
(Address of principal executive offices)	(Zip Code)

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

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 requirements for the past 90 days.

Yes X No

Number of shares of each class of the registrant's Common Stock outstanding as of the latest practicable date.

Class	Outstanding at July 7, 1998
Class A Common Stock	17,258,573 Shares
Class B Common Stock	2,260,954 Shares

AUDIOVOX CORPORATION

I N D E X

AUDIOVOX CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	MAY 31, 1998 (UNAUDITED)	NOVEMBER 30, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,247	$ 9,445
Accounts receivable, net	81,159	104,698
Inventory, net	117,085	105,242
Receivable from vendor	6,327	5,000
Prepaid expenses and other current assets	8,497	9,230
Deferred income taxes	7,721	4,673
Equity collar	--	1,246
Total current assets	228,036	239,534
Investment securities	28,296	22,382
Equity investments	10,473	10,693
Property, plant and equipment, net	16,228	8,553
Excess cost over fair value of assets acquired and other intangible assets, net	5,426	5,557
Other assets	2,695	3,108
	$ 291,154	$ 289,827
LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities:		
Accounts payable	$ 30,105	$ 24,237
Accrued expenses and other current liabilities	14,279	16,538
Income taxes payable	3,197	9,435
Bank obligations	4,393	6,132
Documentary acceptances	4,252	3,914
Current installments of capital lease obligation	62	--
Total current liabilities	56,288	60,256
Bank obligations	24,600	24,300
Deferred income taxes	9,439	8,505
Long-term debt	5,851	6,191
Capital lease obligation	6,422	--
Total liabilities	102,600	99,252
Minority interest	2,811	2,683
Stockholders' equity:		
Preferred stock	2,500	2,500
Common stock:		
Class A; 30,000,000 authorized; 17,258,573 and 17,253,533 issued 1998 and 1997, respectively	173	173
Class B; 10,000,000 authorized; 2,260,954 issued	22	22
Paid-in capital	145,252	145,155
Retained earnings	29,869	32,924
Cumulative foreign currency translation adjustment	(4,131)	(3,428)
Unrealized gain on marketable securities, net	13,918	12,194
Unrealized gain on equity collar, net	--	773
Gain on hedge of available-for-sale securities	929	--
Treasury stock, 340,000 Class A common stock, at cost	(2,789)	(2,421)
Total stockholders' equity	185,743	187,892
Commitments and contingencies		
Total liabilities and stockholders' equity	$ 291,154	$ 289,827

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

AUDIOVOX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
FOR THE THREE AND SIX MONTHS ENDED MAY 31, 1998 AND 1997
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	THREE MONTHS ENDED MAY 31, 1998	THREE MONTHS ENDED MAY 31, 1997	SIX MONTHS ENDED MAY 31, 1998	SIX MONTHS ENDED MAY 31, 1997
Net sales	$ 132,411	$ 148,195	$ 253,384	$ 314,809
Cost of sales (including an inventory write-down to market in 1998 of $6,600)	118,367	123,140	217,082	261,752
Gross profit	14,044	25,055	36,302	53,057
Operating expenses:				
Selling	9,366	8,848	17,656	20,549
General and administrative	9,393	9,379	17,815	18,298
Warehousing, assembly and repair	3,242	3,016	6,253	5,882
Total operating expenses	22,001	21,243	41,724	44,729
Operating income (loss)	(7,957)	3,812	(5,422)	8,328
Other income (expense):				
Debt conversion expense	--	--	--	(12,686)
Interest and bank charges	(1,149)	(433)	(1,995)	(1,349)
Equity in income of equity investments	469	167	876	313
Management fees and related income	14	28	21	75
Gain on sale of equity investment	--	10,187	--	33,966
Other, net	(97)	271	35	713
Total other income (expense)	(763)	10,220	(1,063)	21,032
Income (loss) before provision for (recovery of) income taxes	(8,720)	14,032	(6,485)	29,360
Provision for (recovery of) income taxes	(4,025)	5,678	(3,429)	16,803
Net income (loss)	$ (4,695)	$ 8,354	$ (3,056)	$ 12,557
Net income (loss) per common share (basic)	$ (0.24)	$ 0.43	$ (0.16)	$ 0.68
Net income (loss) per common share (diluted)	$ (0.24)	$ 0.43	$ (0.16)	$ 0.67
Weighted average number of common shares outstanding (basic)	19,174,487	19,415,100	19,183,459	18,541,023
Weighted average number of common shares outstanding (diluted)	19,174,487	19,645,777	19,183,459	19,081,884

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

AUDIOVOX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED MAY 31, 1998 AND 1997
(IN THOUSANDS)

	1998 (UNAUDITED)	1997 (UNAUDITED)
Cash flows from operating activities:		
Net income (loss)	$ (3,056)	$ 12,557
Adjustment to reconcile net income to net cash provided by operating activities:		
Debt conversion expense	--	12,386
Depreciation and amortization	1,135	924
Provision for bad debt expense	253	172
Equity in income of equity investment	(897)	(388)
Minority interest	142	779
Gain on sale of equity investment	--	(33,966)
Recovery of deferred income taxes, net	(3,272)	(3,086)
Provision for unearned compensation	96	111
Loss (gain) on disposal of property, plant and equipment, net	17	(7)
Warrant expense	--	106
Change in:		
Accounts receivable	22,450	33,492
Inventory	(12,709)	(11,587)
Accounts payable, accrued expenses and other current liabilities	4,390	(8,779)
Receivable from vendor	(1,327)	(3,475)
Income taxes payable	(6,072)	4,532
Prepaid expenses and other, net	1,016	223
Net cash provided by operating activities	2,166	3,994
Cash flows from investing activities:		
Net proceeds from sale of equity collar	1,499	--
Purchases of property, plant and equipment, net	(2,236)	(2,087)
Proceeds from sale of investment security	--	42,088
Purchase of equity investments	--	(4,706)
Purchase of convertible debentures	(3,132)	--
Proceeds from distribution from equity investment	561	--
Net cash provided by (used in) investing activities	(3,308)	35,295
Cash flows from financing activities:		
Net repayments under line of credit agreements	(925)	(27,654)
Net borrowings (repayments) under documentary acceptances	338	(973)
Debt issuance costs	--	(13)
Proceeds from issuance of Class A Common Stock	--	2,328
Repurchase of Class A Common Stock	(369)	(328)
Net cash used in financing activities	(956)	(26,640)
Effect of exchange rate changes on cash	(100)	(53)
Net increase (decrease) in cash and cash equivalents	(2,198)	12,596
Cash and cash equivalents at beginning of period	9,445	12,350
Cash and cash equivalents at end of period	$ 7,247	$ 24,946

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

AUDIOVOX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED MAY 31, 1998 AND MAY 31, 1997

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

(1) The accompanying consolidated financial statements were prepared in accordance with generally accepted accounting principles and include all adjustments (which include only normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the consolidated financial position of Audiovox Corporation and subsidiaries (the Company) as of May 31, 1998 and November 30, 1997 and the results of operations and consolidated statements of cash flows for the three and six month periods ended May 31, 1998 and May 31, 1997. The interim figures are not necessarily indicative of the results for the year.

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.

Accounting policies adopted by the Company are identified in Note 1 of the Notes to Consolidated Financial Statements included in the Company's 1997 Annual Report filed on Form 10-K.

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

	Six Months Ended	
	May 31, 1998	May 31, 1997
Cash paid during the period:		
Interest (excluding bank charges)	$1,364	$ 1,210
Income taxes	$4,364	$15,161

As of May 31, 1998, the Company recorded a net unrealized holding gain relating to available-for-sale marketable securities, net of deferred taxes, of $13,918 as a separate component of stockholders' equity.

During the first quarter of 1998, the Company sold its equity collar for $1,499. The transaction resulted in a net gain on hedge of available-for-sale securities of $929 which is reflected as a separate component of stockholders' equity.

During the second quarter of 1998, the Company converted 400 million Japanese Yen of its Shintom Co. Ltd (Shintom) Convertible Debentures (Shintom Debentures) to 1,904,000 shares of Shintom Common Stock.

During the second quarter of 1998, a capital lease obligation of $6,573 was incurred when the Company entered into a building lease (Note 7).

(3) In June 1997, the Financial Accounting Standards Board (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, 1998, 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 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, ceratin 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 in fiscal 1999, as required.

(4) During the second quarter of 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 May 31, 1998, 340,000 shares were repurchased under the Program at an average price of $8.20 per share for an aggregate amount of $2,789.

(5) In February 1997, the FASB issued Statement No. 128, "Earnings per Share" (Statement 128). Statement 128 replaces the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Basic earnings per share excludes any dilution. It is based upon the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock. Earnings per share amounts for all periods presented have been restated to conform to the new presentation. A reconciliation between the numerators and denominators of the basic and diluted earnings per common share is as follows:

	Three Months Ended May 31, 1998	Three Months Ended May 31, 1997	Six Months Ended May 31, 1998	Six Months Ended May 31, 1997
Net income (loss) (numerator for basic earnings (loss) per share)	$ (4,695)	$ 8,354	$ (3,056)	$ 12,557
Interest on 6 1/4% convertible subordinated debentures, net of tax	-	21	-	143
Adjusted net income (loss) (numerator for diluted earnings (loss) per share)	$ (4,695)	$ 8,375	$ (3,056)	$ 12,700
Weighted average common shares (denominator for basic earnings (loss) per share)	19,174,487	19,415,100	19,183,459	18,541,023
Effect of dilutive securities:				
6 1/4% convertible subordinated debentures	-	128,192	-	439,048
Employee stock options and stock warrants	-	32,868	-	34,836
Employee stock grants	-	69,617	-	66,977
Weighted average common and potential common shares outstanding (denominator for diluted earnings (loss) per share)	19,174,487	19,645,777	19,183,459	19,081,884
Basic earnings (loss) per share	$ (0.24)	$ 0.43	$ (0.16)	$ 0.68
Diluted earnings (loss) per share	$ (0.24)	$ 0.43	$ (0.16)	$ 0.67

Employee stock options and stock warrants totaling 3,723,675 and 3,122,375 for the quarter ended May 31, 1998 and 1997, respectively, were not included in the net earnings per share calculation because their effect would have been anti-dilutive.

(6) During the second quarter of 1998, the Company purchased 400 million Japanese Yen (approximately $3,132) of Shintom Debentures. The Company exercised its option to convert the Shintom Debentures into 1,904,000 shares of Shintom Common Stock. The Company accounts for its investment in Shintom as an available-for-sale marketable equity security. The aggregate fair value of the available-for-sale marketable equity security was $2,265 at May 31, 1998, which is comprised of a cost basis of $3,132 and a gross unrealized holding loss of $867 recorded as a separate component of stockholders' equity at May 31, 1998. A related deferred tax asset of $330 was recorded at May 31, 1998 as a reduction to the unrealized holding loss included as a separate component of stockholders' equity.

(7) During the second quarter of 1998, the Company entered into a 30-year lease, for a building, with its principal stockholder and chief executive officer. A significant portion of the lease payments, as required under the lease agreement, consist of the debt service payments required to be made by the principal stockholder in connection with the financing of the construction of the building. For financial reporting purposes, the lease has been classified as a capital lease, and accordingly, a building and the related obligation of approximately $6,573 has been recorded. Future minimum lease payments for this capital lease in effect at May 31, 1998 are as follows:

June 1, 1998 - November 30, 1998	$ 289
Fiscal November 30, 1999	579
Fiscal November 30, 2000	579
Fiscal November 30, 2001	579
Fiscal November 30, 2002	579
Fiscal November 30, 2003	579
Thereafter	13,263
Total minimum lease payments	16,447
Less: amount representing interest	9,963
Present value of net minimum lease payments	6,484
Less: current installments	62
Long-term obligation	$ 6,422

(8) Receivable from vendor represents claims due from and payments to TALK Corporation.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 fees are based upon a percentage of customers' usage and are calculated based on the amount of local air time fees collected from the base of customers activated by the Company on a particular cellular carrier's system. The Automotive group consists of Audiovox Automotive Electronics (AAE), a division 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 Quarterly Report on Form 10-Q contains forward-looking statements relating to such matters as anticipated financial performance and business prospects. When used in this Quarterly 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 inventory 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.

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			
	Three Months Ended May 31,		Six Months Ended May 31,	
	1998	1997	1998	1997
Net sales:				
Product sales:				
Cellular wholesale	58.5%	58.6%	57.0%	61.7%
Cellular retail	0.9	1.2	0.8	1.4
Sound	15.7	16.2	15.5	13.9
Security and accessories	16.5	15.5	17.6	14.1
	91.5	91.5	90.9	91.1
Activation commissions	4.2	5.6	4.7	5.9
Residual fees	0.7	0.7	0.8	0.8
Other	3.5	2.1	3.6	2.2
Total net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	89.4	83.1	85.7	83.1
Gross profit	10.6	16.9	14.3	16.9
Selling	7.1	6.0	7.0	6.5
General and administrative expense	7.1	6.3	7.0	5.8
Warehousing, assembly and repair	2.4	2.0	2.5	1.9
Total operating expenses	16.6	14.3	16.5	14.2
Operating income (loss)	(6.0)	2.6	(2.1)	2.6
Debt conversion expense	--	--	--	4.0
Interest and bank charges	0.9	0.3	0.8	0.4
Equity in income of equity investments	0.4	0.1	0.3	0.1
Management fees and related income	--	--	--	--
Gain on sale of equity investment	--	6.9	--	10.8
Other income (expense)	(0.1)	0.2	--	0.2
Income (loss) before provision for (recovery of) income taxes	(6.6)	9.5	(2.6)	9.3
Provision for (recovery of) income taxes	(3.0)	3.8	(1.4)	5.3
Net income (loss)	(3.5)%	5.6%	(1.2)%	4.0%

RESULTS OF OPERATIONS
CONSOLIDATED RESULTS
THREE MONTHS ENDED MAY 31, 1998 COMPARED TO THREE MONTHS ENDED MAY 31, 1997

Net sales were $132,411 for 1998, a decrease of $15,784, or 10.7%, from the same period last year. The decrease in net sales was primarily in the Communications group. During the quarter, the Communications group recorded a charge of $6.6 million to adjust the carrying value of certain inventories to market. This charge was for analog cellular telephones from a specific supplier. This supplier has issued a credit to the Company of $1.0 million to partially offset this write-down. The charge reduced gross profit margins to 10.6%. Operating expenses increased to $22,001 from $21,243, a 3.6% increase. The operating loss for 1998 was $7,957 compared to last year's operating income of $3,812.

The net sales and percentage of net sales by product line and marketing group for the three months ended May 31, 1998 and May 31, 1997 are reflected in the following table:

	Three Months Ended May 31,			
	1998		1997	
Net sales:				
Communications				
Cellular wholesale	$ 77,412	58.5%	$ 86,871	58.6%
Cellular retail	1,139	0.9	1,793	1.2
Activation commissions	5,614	4.2	8,288	5.6
Residual fees	917	0.7	1,097	0.7
Other	2,946	2.2	3,129	2.1
Total Communications	88,028	66.5	101,178	68.3
Automotive				
Sound	20,788	15.7	24,034	16.2
Security and accessories	21,875	16.5	22,937	15.5
Other	1,720	1.3	615	0.4
Total Automotive	44,383	33.5	47,586	32.1
Other	--	--	(569)	(0.4)
Total	$ 132,411	100.0%	$ 148,195	100.0%

SIX MONTHS ENDED MAY 31, 1998 COMPARED TO SIX MONTHS ENDED MAY 31, 1997

Net sales were $253,384 for 1998, a decrease of $61,425, or 19.5%, from the same period last year. The decrease in net sales was primarily in the Communications group. Gross margins decreased to 14.3% for 1998 from 16.9% in 1997, primarily due to the aforementioned charge for inventory. Operating expenses decreased to $41,724 from $44,729, a 6.7% decrease. The operating loss for 1998 was $5,422 compared to last year's operating income of $8,328.

The net sales and percentage of net sales by product line and marketing group for the six months ended May 31, 1998 and May 31, 1997 are reflected in the following table:

	Six Months Ended May 31,			
	1998		1997	
Net sales:				
Communications				
Cellular wholesale	$144,522	57.0%	$ 194,290	61.7%
Cellular retail	1,991	0.8	4,311	1.4
Activation commissions	11,961	4.7	18,665	5.9
Residual fees	1,915	0.8	2,412	0.8
Other	5,705	2.3	5,772	1.8
Total Communications	166,094	65.6	225,450	71.6
Automotive				
Sound	39,216	15.5	43,662	13.9
Security and accessories	44,552	17.6	44,430	14.1
Other	3,522	1.4	1,577	0.5
Total Automotive	87,290	34.4	89,669	28.5
Other	--	--	(310)	(0.1)
Total	$253,384	100.0%	$ 314,809	100.0%

COMMUNICATION RESULTS
THREE MONTHS ENDED MAY 31, 1998 COMPARED TO THREE MONTHS ENDED MAY 31, 1997

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 $88,028, a decrease of $13,150, or 13.0%, from the same period last year. Unit sales of cellular telephones increased approximately 28,000 units, or 4.6%, from 1997. Average unit selling prices decreased approximately 11.9% to $111 from $126 but were partially offset by a corresponding decrease of 3.5% in average unit cost. The number of new cellular subscriptions processed by Quintex decreased 28.9%, with an accompanying decrease in activation commissions of approximately $2,674, or 32.3%. The average commission received by Quintex per activation also decreased approximately 4.8% from last year. Unit gross profit margins decreased to 3.3% from 11.7% last year. This decrease was primarily due to a $6.6 million charge to adjust the carrying value of certain cellular inventories, partially offset by a $1.0 credit from a supplier. This charge was the result of a software problem in certain analog cellular phones, as well as a continuing decrease in the selling prices of analog telephones due to pressure from the growing digital presence in the market. While the analog market is still quite large, the Communications group may experience lower gross profits in the future due to the price sensitivity of this market place. Operating expenses increased to $12,911 from $11,776. As a percentage of net sales, operating expenses increased to 14.7% during 1998 compared to 11.6% in 1997. Selling expenses increased $730 from last year, primarily in advertising and divisional marketing, partially offset by decreases in commissions and salaries.

General and administrative expenses increased during 1998 by $390 from 1997, primarily in occupancy costs, salaries and temporary personnel. Warehousing and tooling increased by $15 during 1998 over last year, primarily in direct labor. The operating loss for 1998 was $8,610 compared to operating income of $4,172 last year.

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

COMMUNICATIONS

	Three Months Ended May 31, 1998		1997	
Net sales:				
Cellular product - wholesale	$ 77,412	87.9%	$ 86,871	85.9%
Cellular product - retail	1,139	1.3	1,793	1.8
Activation commissions	5,614	6.4	8,288	8.2
Residual fees	917	1.0	1,097	1.1
Other	2,946	3.3	3,129	3.1
Total net sales	88,028	100.0	101,178	100.0
Gross profit	4,301	4.9	15,948	15.8
Total operating expenses	12,911	14.7	11,776	11.6
Operating income (loss)	(8,610)	(9.8)	4,172	4.1
Other expense	(1,770)	(2.0)	(1,143)	(1.1)
Pre-tax income (loss)	$(10,380)	(11.8)%	$ 3,029	3.0%

SIX MONTHS ENDED MAY 31, 1998 COMPARED TO SIX MONTHS ENDED MAY 31, 1997

Net sales were $166,094, a decrease of $59,356, or 26.3%, from the same period last year. Unit sales of cellular telephones decreased approximately 58,000 units, or 4.4%, from 1997. Average unit selling prices decreased approximately 20.3% to $107 from $134 but were partially offset by a corresponding decrease of 14.0% in average unit cost. The number of new cellular subscriptions processed by Quintex decreased 33.4%, with an accompanying decrease in activation commissions of approximately $6,704, or 35.9%. The average commission received by Quintex per activation also decreased approximately 3.8% from last year. Unit gross profit margins decreased to 6.1% from 13.4% last year. This decrease was primarily due to a $6.6 million charge to adjust the carrying value of certain cellular inventories, partially offset by a $1.0 credit from a supplier. This charge was the result of a software problem in certain analog cellular phones, as well as a continuing decrease in the selling prices of analog telephones due to pressure from the growing digital presence in the market. While the analog market is still quite large, the Communications group may experience lower gross profits in the future due to the price sensitivity of this market place. Operating expenses decreased to $24,350 from $26,628. As a percentage of net sales, operating expenses increased to 14.7% during 1998 compared to 11.8% in 1997. Selling expenses decreased $2,615 from last year, primarily in commissions, salaries, advertising and divisional marketing. General and administrative expenses increased during 1998 by $81 from 1997, primarily in occupancy costs, depreciation and temporary personnel. Warehousing and assembly expenses increased by $256 during 1998 over last year, primarily in tooling expenses and field warehouse expenses. The operating loss for 1998 was $6,850 compared to operating income of $9,021 last year.

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

COMMUNICATIONS

	Six Months Ended May 31, 1998		1997	
Net sales:				
Cellular product - wholesale	$ 144,522	87.0%	$ 194,290	86.2%
Cellular product - retail	1,991	1.2	4,311	1.9
Activation commissions	11,961	7.2	18,665	8.3
Residual fees	1,915	1.2	2,412	1.1
Other	5,705	3.4	5,772	2.6
Total net sales	166,094	100.0	225,450	100.0
Gross profit	17,500	10.5	35,649	15.8
Total operating expenses	24,350	14.7	26,628	11.8
Operating income (loss)	(6,850)	(4.1)	9,021	4.0
Other expense	(3,071)	(1.8)	(2,232)	(1.0)
Pre-tax income (loss)	$ (9,921)	(6.0)%	$ 6,789	3.0%

AUTOMOTIVE RESULTS
THREE MONTHS ENDED MAY 31, 1998 COMPARED TO THREE MONTHS ENDED MAY 31, 1997

Net sales decreased approximately $3,203 compared to last year, a decrease of 6.7%. Decreases were experienced in the sound, security and accessories product lines, partially offset by an increase in other, primarily consumer goods. Automotive sound decreased 13.5% compared to last year, primarily due to decreased sales in Prestige Audio, SPS and AV product lines and reduced sales in our international operations. Automotive security and accessories decreased 4.6% compared to last year, primarily due to decreased sales in our international operations and Protector Hardgoods, partially offset by increased sales in Prestige security, cruise controls and Mobile Video. Gross margins increased to 22.0% from 19.9% last year. This increase was experienced in SPS, AV and Prestige Audio sound products, Protector Hardgoods and Prestige security. Operating expenses increased to $6,873 from $6,571. Selling expenses decreased from last year by $116, primarily in salesmen salaries in international operations, divisional marketing and advertising, partially offset by increases in commissions. General and administrative expenses decreased from 1997 by $211, primarily in foreign buying office expenses. Warehousing and assembly expenses increased from 1997 by $629, primarily in direct labor and tooling. Operating income for 1998 was $2,896 compared to $2,911 last year.

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

AUTOMOTIVE

	Three Months Ended May 31,			
	1998		1997	
Net sales:				
Sound	$ 20,788	46.8%	$ 24,034	50.5%
Security and accessories	21,875	49.3	22,937	48.2
Other	1,720	3.9	615	1.3
Total net sales	44,383	100.0	47,586	100.0
Gross profit	9,769	22.0	9,482	19.9
Total operating expenses	6,873	15.5	6,571	13.8
Operating income	2,896	6.5	2,911	6.1
Other expense	(944)	(2.1)	(905)	(1.9)
Pre-tax income	$ 1,952	4.4%	$ 2,006	4.2%

SIX MONTHS ENDED MAY 31, 1998 COMPARED TO SIX MONTHS ENDED MAY 31, 1997

Net sales decreased approximately $2,379 compared to last year, a decrease of 2.7%. Decreases were experienced in automotive sound, while security and accessories product lines remained relatively the same as last year. Other sales, primarily consumer goods, increased over 100%. Automotive sound decreased 10.2% compared to last year, primarily due to decreased sales in international operations, Prestige Audio and SPS product lines, partially offset by an increase in AV. Also during 1997, the Company contributed the net assets of the Heavy Duty Sound division to a newly-formed 50%-owned joint venture. Excluding this event, sound sales decreased 4.5% during 1998 compared to 1997. It is anticipated that the loss of this revenue will be realized through the joint venture. Automotive security and accessories increased 0.3% compared to last year, primarily due to increased sales in Prestige security and Mobile Video, offset by decreases in net sales of Protector Hardgoods, AA Security and international operations. Gross margins increased to 21.6% from 20.1% last year. This increase was experienced primarily in Prestige security and Protector Hardgoods. Operating expenses increased to $13,629 from $12,952. Selling expenses decreased from last year by $155, primarily in international operations and the result of the transfer of the Heavy Duty Sound division, offset by increases in commissions and trade shows. General and administrative expenses increased over 1997 by $218, primarily in bad debt expenses and office salaries in both international and domestic operations. Warehousing and assembly expenses increased from 1997 by $614 primarily in tooling and field warehousing. Operating income for 1998 was $5,239 compared to $5,101 last year.

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

AUTOMOTIVE

	Six Months Ended May 31, 1998		1997	
Net sales:				
Sound	$ 39,216	44.9%	$ 43,662	48.7%
Security and accessories	44,552	51.0	44,430	49.5
Other	3,522	4.0	1,577	1.8
Total net sales	87,290	100.0	89,669	100.0
Gross profit	18,868	21.6	18,053	20.1
Total operating expenses	13,629	15.6	12,952	14.4
Operating income	5,239	6.0	5,101	5.7
Other expense	(1,908)	(2.2)	(1,780)	(2.0)
Pre-tax income	$ 3,331	3.8%	$ 3,321	3.7%

OTHER INCOME AND EXPENSE

Interest expense and bank charges increased by $716 and $646 for the three and six months ended May 31, 1998, respectively, compared to the same periods last year, primarily due to an increase in interest-bearing debt. Equity in income of equity investments and management fees and related income increased $288 and $509 for the three and six months ended May 31, 1998, respectively, compared to the same periods last year. The increases are attributable to Audiovox Specialized Applications, LLC (ASA) and Audiovox Pacific. ASA had 1998 earnings in excess of 1997 both for the quarter and year to date. In 1997, the Company had written down its investment in Audiovox Pacific to zero and, accordingly, has not recorded its share of additional losses incurred by Audiovox Pacific in 1998. During 1997, the Company's share of Audiovox Pacific losses were $310 and $355 for the three and six months ended, respectively.

PROVISION FOR INCOME TAXES

Provision for income taxes and income tax recovery are provided for at a blended federal and state rate of 40% for profits or losses from normal business operations. Over the last several months, the Company has implemented various tax strategies which have resulted in lowering the effective tax rate. LIQUIDITY AND CAPITAL RESOURCES The Company's cash position at May 31, 1998 decreased approximately $2,198 from the November 30, 1997 level. Operating activities provided approximately $2,166, primarily from decreases in accounts receivable and increases in accounts payable and accrued expenses, partially offset by an operating loss and an increase in inventories and reduction in income taxes payable.. Investing activities used approximately $3,308, primarily from the purchase of convertible debentures and property, plant and equipment, offset by the sale of an equity collar. Financing activities used approximately $956, primarily from repayments under line of credit agreements and repurchase of Class A Common Stock. On May 5, 1995, the Company entered into the Second Amended and Restated Credit Agreement (the "Credit Agreement"). From May 5, 1995 through May 31, 1998, the Credit Agreement was amended eleven times providing for various changes to the terms. The terms as of May 31, 1998 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 are secured by the 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.

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 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; minimum level of total net worth of $172,500. At May 31, 1998, the Company was not in compliance with its pre-tax income and pre-tax loss covenants which were subsequently waived. As of the date of issuance of the financial statements, the Company's creditors waived their right to call the bank obligations. The Credit Agreement provides for adjustments to the covenants in the event of certain specified non-operating transactions. Additionally, the agreement includes restrictions and limitations on payments of dividends, stock repurchases and capital expenditures. 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. RECENT ACCOUNTING PRONOUNCEMENTS 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, 1998, 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 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 in fiscal 1999, as required.

PART II - OTHER INFORMATION

Item 6. Reports on Form 8-K

During the second quarter, the Registrant filed one report on Form 8-K. The Form 8-K, dated March 20, 1998 and filed March 31, 1998, reported that the Company had executed an Eleventh Amendment to the Company's Second Amended and Restated Credit Agreement (the Amendment). The Amendment, among other things, changed the definition of "Borrowing Base" thereby increasing the amount of credit available to the Company.

SIGNATURES

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

AUDIOVOX CORPORATION

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

Dated: July 15, 1998

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

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