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 August 31, 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 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 September 24, 1997
Class A Common Stock	17,253,533 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)

	August 31, 1997 (unaudited)	November 30, 1996
Assets		
Current Assets:		
Cash and cash equivalents	$ 8,180	$ 12,350
Accounts receivable, net	91,579	118,408
Inventory, net	95,313	72,785
Receivable from vendor	12,765	4,565
Prepaid expenses and other current assets	9,245	7,324
Deferred income taxes	5,241	5,241
Total current assets	222,323	220,673
Investment securities	32,147	27,758
Equity investments	13,809	8,463
Property, plant and equipment, net	8,323	6,756
Debt issuance costs, net	-	269
Excess cost over fair value of assets acquired and other intangible assets, net	6,185	804
Other assets	3,001	3,449
	$ 285,788	$ 268,172
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 33,279	$ 28,192
Accrued expenses and other current liabilities	17,633	18,961
Income taxes payable	9,439	7,818
Bank obligations	7,212	4,024
Documentary acceptances	4,014	3,501
Total current liabilities	71,577	62,496
Bank obligations	-	31,700
Deferred income taxes	12,216	10,548
Long-term debt	6,453	28,165
Total liabilities	90,246	132,909
Minority interest	2,478	1,137
Stockholders' equity:		
Preferred stock	2,500	2,500
Common Stock:		
Class A; 30,000,000 authorized; 17,253,533 and 14,040,414 issued on August 31, 1997 and November 30, 1996, respectively	173	141
Class B; 10,000,000 authorized; 2,260,954 issued	22	22
Paid-in capital	145,240	107,833
Retained earnings	30,185	14,529
Cumulative foreign currency translation and adjustment	(2,219)	(1,176)
Unrealized gain on marketable securities, net	18,053	10,277
Treasury stock, 125,000 Class A common shares, at cost	(890)	-
Total stockholders' equity	193,064	134,126
Commitments and contingencies		
	$ 285,788	$ 268,172

See accompanying notes to consolidated financial statements.

AUDIOVOX CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income
(In thousands, except share and per share data)

	Three Months Ended August 31, 1997 (unaudited)	Three Months Ended August 31, 1996 (unaudited)	Nine Months Ended August 31, 1997 (unaudited)	Nine Months Ended August 31, 1996 (unaudited)
Net sales	$ 153,124	$ 142,828	$ 467,933	$ 406,515
Cost of sales	127,490	118,189	389,242	340,413
Gross profit	25,634	24,639	78,691	66,102
Operating expenses:				
Selling	8,597	9,820	29,146	26,137
General and administrative	9,037	8,274	27,335	23,767
Warehousing, assembly and repair	2,972	2,817	8,854	7,874
	20,606	20,911	65,335	57,778
Operating income	5,028	3,728	13,356	8,324
Other income (expenses):				
Interest and bank charges	(523)	(2,193)	(1,872)	(6,407)
Equity in income of equity investments	749	135	1,062	550
Management fees and related income	18	7	94	157
Gain on sale of investment	303	-	34,270	985
Debt conversion expense	-	-	(12,686)	-
Other, net	(10)	(102)	702	(519)
	537	(2,153)	21,570	(5,234)
Income before provision for income taxes	5,565	1,575	34,926	3,090
Provision for income taxes	2,467	808	19,271	1,696
Net income	$ 3,098	$ 767	$ 15,655	$ 1,394
Net income per common share (primary)	$ 0.16	$ 0.08	$ 0.82	$ 0.15
Net income per common share (fully diluted)	$ 0.16	$ 0.08	$ 0.81	$ 0.15
Weighted average number of common shares outstanding, primary	19,724,791	9,285,188	19,001,908	9,285,188
Weighted average number of common shares outstanding, fully diluted	19,839,117	9,325,588	19,596,619	9,330,217

See accompanying notes to consolidated financial statements.

AUDIOVOX CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)

	Nine Months Ended August 31, 1997 (unaudited)	Nine Months Ended August 31, 1996 (unaudited)
Cash flows from operating activities:		
Net income	$ 15,655	$ 1,394
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Debt conversion expense	12,386	-
Depreciation and amortization	1,451	2,433
Provision for bad debt expense	539	249
Equity in income of equity investments	(1,156)	(550)
Minority interest	1,381	473
Gain on sale of investment	(34,270)	(985)
Provision for (recovery of) deferred income taxes, net	(3,098)	670
Provision for unearned compensation	137	228
Gain on disposal of property, plant and equipment, net	(17)	(13)
Warrant expense	106	-
Changes in:		
Accounts receivable	22,199	10,251
Inventory	(25,454)	5,785
Accounts payable, accrued expenses and other current liabilities	5,553	4,985
Receivable from vendor	(8,200)	(7,022)
Income taxes payable	1,898	1,087
Prepaid expenses and other assets	(2,257)	(1,580)
Net cash (used in) provided by operating activities	(13,147)	17,405
Cash flows from investing activities:		
Purchases of property, plant and equipment, net	(3,053)	(2,240)
Proceeds from sale of investment	42,422	1,000
Purchase of equity investments	(4,706)	-
Proceeds from distribution from equity investment	50	317
Net cash provided by (used in) investing activities	34,713	(923)
Cash flows from financing activities:		
Net repayments under line of credit agreements	(27,543)	(13,676)
Net borrowings (repayments) under documentary acceptances	513	(4,458)
Principal payments on long-term debt	-	(4,389)
Debt issuance costs	(13)	(323)
Proceeds from issuance of Class A Common Stock	2,328	-
Repurchase of Class A Common Stock	(890)	-
Principal payments on capital lease obligation	-	(158)
Proceeds from release of restricted cash	-	5,959
Net cash used in financing activities	(25,605)	(17,045)
Effect of exchange rate changes on cash	(131)	(4)
Net decrease in cash and cash equivalents	(4,170)	(567)
Cash and cash equivalents at beginning of period	12,350	7,076
Cash and cash equivalents at end of period	$ 8,180	$ 6,509

See accompanying notes to consolidated financial statements.

AUDIOVOX CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Nine Months Ended August 31, 1997 and August 31, 1996

(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 August 31, 1997 and November 30, 1996 and the results of operations and consolidated statements of cash flows for the nine-month periods ended August 31, 1997 and August 31, 1996. The interim figures are not necessarily indicative of the results for the year.

Accounting policies adopted by the Company are identified in Note 1 of the Notes to Consolidated Financial Statements included in the Company's 1996 Annual Report filed on Form 10-K.

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

	Nine Months Ended	
	August 31, 1997	August 31, 1996
Cash paid during the period:		
Interest (excluding bank charges)	$ 1,378	$4,219
Income taxes	$19,753	$ 193

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.

As of August 31, 1997, the Company recorded an unrealized holding gain relating to available-for-sale marketable securities, net of deferred taxes, of $18,053 as a separate component of stockholders' equity.

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 anticipation of an exchange for a 20% interest in Bliss-Tel Company, Limited (Bliss-Tel).

During the second quarter of 1997, the Company contributed $6,463 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.

(3) The Financial Accounting Standards Board has issued Statement 128, "Earnings per Share" (Statement 128). Statement 128 establishes standards for computing and presenting earnings per share (EPS). The Statement simplifies the standards for computing EPS and makes them comparable to international EPS standards. The provisions of Statement 128 are effective for financial statements issued for periods ending after December 1, 1997, including interim periods. The Statement does not permit early application and requires restatement of all prior-period EPS data presented. Adoption of Statement 128 will not effect the Company's consolidated financial position or results of operations, however the impact on previously report EPS data is currently unknown.

(4) 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.

(5) 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.

(6) During the first quarter of 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.

(7) During the second quarter of 1997, the Company purchased a 50% equity investment in a newly-formed company, ASA, for approximately $11,119. 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 an increase to additional paid-in capital of approximately $2,324. 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.

(8) Receivable from vendor is a prepayment to TALK for merchandise to be shipped during the fourth quarter of 1997.

(9) During the second quarter, 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 August 31, 1997, 125,000 shares were repurchased under the Program at an average price of $7.12 per share for an aggregate amount of $890. Subsequent to August 31, 1997, 77,000 shares have been repurchased under the Program at an average price of $9.47 per share for an aggregate amount of $729.

(10) For the nine months ended August 31, 1997, the Company sold 1,735,000 shares of CellStar common stock yielding net proceeds of approximately $42,422 and a gain, net of taxes, of approximately $21,247.

(11) 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.

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 Automotive group consists of Audiovox Automotive Electronics (AAE) and, through February 28, 1997, Heavy Duty Sound, which are divisions of the Company, and Audiovox Communications Sdn. Bhd., Audiovox Holdings 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. The following tables reflect the way the Company manages its business. The column headed "Other" includes general expenses and other income items which are not readily allocable.

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 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 tables are summaries of pre-tax results by product group for the three and nine months ended August 31, 1997 and August 31, 1996:

Consolidated Pre-Tax Operating Results
Three Months Ended August 31, 1997
(In thousands)
(Unaudited)

	Total Company	Communications	Automotive	Other
Net sales:				
Product sales:				
Cellular wholesale	$ 89,714	$ 89,714	-	-
Cellular retail	1,157	1,157	-	-
Sound	22,890	-	$ 22,890	-
Security and accessories	26,721	-	26,721	-
Activation commissions	6,430	6,430	-	-
Residual fees	1,248	1,248	-	-
Other	4,964	3,376	1,242	$ 346
Total net sales	153,124	101,925	50,853	346
Gross profit (loss)	25,634	14,888	10,881	(135)
Gross profit %	16.7%	14.6%	21.4%	-
Selling	8,597	5,638	2,858	101
General and administrative	9,037	3,631	3,269	2,137
Warehousing and assembly	2,972	2,142	951	(121)
Total operating expenses	20,606	11,411	7,078	2,117
Operating income (loss)	5,028	3,477	3,803	(2,252)
Other income (expense)	537	(1,242)	(1,251)	3,030
Pre-tax income	$ 5,565	$ 2,235	$ 2,552	$ 778

Consolidated Pre-Tax Operating Results
Three Months Ended August 31, 1996
(In thousands)
(Unaudited)

	Total Company	Communications	Automotive	Other
Net sales:				
Product sales:				
Cellular wholesale	$ 76,486	$ 76,486	-	-
Cellular retail	2,148	2,148	-	-
Sound	27,441	-	$ 27,441	-
Security and accessories	22,935	-	22,935	-
Activation commissions	7,914	7,914	-	-
Residual fees	1,236	1,236	-	-
Other	4,668	3,709	846	$ 113
Total net sales	142,828	91,493	51,222	113
Gross profit (loss)	24,639	15,015	9,764	(140)
Gross profit %	17.3%	16.4%	19.1%	-
Selling	9,820	6,955	2,756	109
General and administrative	8,274	3,699	2,745	1,830
Warehousing and assembly	2,817	1,808	1,052	(43)
Total operating expenses	20,911	12,462	6,553	1,896
Operating income (loss)	3,728	2,553	3,211	(2,036)
Other income (expense)	(2,153)	(1,708)	(1,209)	764
Pre-tax income (loss)	$ 1,575	$ 845	$ 2,002	$(1,272)

Consolidated Pre-Tax Operating Results
Nine Months Ended August 31, 1997
(In thousands)
(Unaudited)

	Total Company	Communications	Automotive	Other
Net sales:				
Product sales:				
Cellular wholesale	$284,004	$284,004	-	-
Cellular retail	5,468	5,468	-	-
Sound	66,552	-	$ 66,552	-
Security and accessories	71,150	-	71,150	-
Activation commissions	25,095	25,095	-	-
Residual fees	3,660	3,660	-	-
Other	12,004	9,148	2,819	$ 37
Total net sales	467,933	327,375	140,521	37
Gross profit (loss)	78,691	50,537	28,934	(780)
Gross profit %	16.8%	15.4%	20.6%	-
Selling	29,146	20,540	8,320	286
General and administrative	27,335	11,238	9,136	6,961
Warehousing and assembly	8,854	6,261	2,574	19
Total operating expenses	65,335	38,039	20,030	7,266
Operating income (loss)	13,356	12,498	8,904	(8,046)
Other income (expense)	21,570	(3,474)	(3,031)	28,075
Pre-tax income	$ 34,926	$ 9,024	$ 5,873	$20,029

Consolidated Pre-Tax Operating Results
Nine Months Ended August 31, 1996
(In thousands)
(Unaudited)

	Total Company	Communications	Automotive	Other
Net sales:				
Product sales:				
Cellular wholesale	$224,356	$224,356	-	-
Cellular retail	6,020	6,020	-	-
Sound	70,489	-	$ 70,489	-
Security and accessories	63,797	-	63,797	-
Activation commissions	25,085	25,085	-	-
Residual fees	3,654	3,654	-	-
Other	13,114	9,934	2,558	$ 622
Total net sales	406,515	269,049	136,844	622
Gross profit	66,102	39,792	25,613	697
Gross profit %	16.3%	14.8%	18.7%	-
Selling	26,137	18,252	7,616	269
General and administrative	23,767	10,787	8,030	4,950
Warehousing and assembly	7,874	5,098	2,872	(96)
Total operating expenses	57,778	34,137	18,518	5,123
Operating income (loss)	8,324	5,655	7,095	(4,426)
Other income (expense)	(5,234)	(4,858)	(3,265)	2,889
Pre-tax income (loss)	$ 3,090	$ 797	$ 3,830	$(1,537)

RESULTS OF OPERATIONS
Consolidated Results
Three months ended August 31, 1997 compared to three months ended August 31, 1996

Net sales were $153,124 for 1997, an increase of $10,296, or 7.2%, over the same period last year. The increase in net sales was accompanied by a corresponding decrease in gross profit margins to 16.7% from 17.3% last year. Operating expenses decreased to $20,606 from $20,911, a 1.5% decrease. Operating income for 1997 was $5,028, an increase of $1,300 compared to last year. During the third quarter of 1997, the Company sold 10,000 shares of its holdings of CellStar for a net gain of $188. This non-operating transaction is reported under the "Other" caption in the preceding tables.

Net sales by product group for the three months ended August 31, 1997 and August 31, 1996 and percentage of sales are reflected in the following table:

	Three Months Ended			
	August 31, 1997		August 31, 1996	
Communications				
Cellular product - wholesale	$ 89,714	58.6%	$ 76,486	53.6%
Cellular product - retail	1,157	0.8	2,148	1.5
Activation commissions	6,430	4.2	7,914	5.5
Residual fees	1,248	0.8	1,236	0.9
Other	3,376	2.2	3,709	2.6
Total Communications	101,925	66.6	91,493	64.1
Automotive				
Sound	22,890	14.9	27,441	19.2
Security and accessories	26,721	17.5	22,935	16.1
Other	1,242	0.8	846	0.6
Total Automotive	50,853	33.2	51,222	35.9
Other	346	0.2	113	0.1
Total Company	$153,124	100.0%	$142,828	100.0%

Nine months ended August 31, 1997 compared to nine months ended August 31, 1996

Net sales for the nine months were $467,933, an increase of $61,416, or 15.1%, over the same period last year. The increase in net sales was accompanied by a corresponding increase in gross profit margins to 16.8% from 16.3% last year. Operating expenses increased to $65,336 from $57,778 in all expense categories: selling expenses, general and administrative expenses and warehousing and assembly expenses. Operating income for 1997 was $13,356, an increase of $5,032 compared to last year. During the first nine months of 1997, the Company sold 1,735,000 shares of its holdings of CellStar for a net gain of $21,247. The Company also exchanged $21,479 of its 6 1/4% subordinated debentures for 2,860,925 shares of Class A Common Stock. The costs associated with this exchange were approximately $12,844, including income taxes. Both of these non-operating transactions are reported under the "Other" caption in the preceding tables.

Net sales by product group for the nine months ended August 31, 1997 and August 31, 1996 and percentage of sales are reflected in the following table:

	Nine Months Ended			
	August 31, 1997		August 31, 1996	
Communications				
Cellular product - wholesale	$284,004	60.7%	$224,356	55.2%
Cellular product - retail	5,468	1.2	6,020	1.5
Activation commissions	25,095	5.4	25,085	6.2
Residual fees	3,660	0.8	3,654	0.9
Other	9,148	2.0	9,934	2.4
Total Communications	327,375	70.0	269,049	66.2
Automotive				
Sound	66,552	14.2	70,489	17.3
Security and accessories	71,150	15.2	63,797	15.7
Other	2,819	0.6	2,558	0.6
Total Automotive	140,521	30.0	136,844	33.7
Other	37	-	622	0.2
Total Company	$467,933	100.0%	$406,515	100.0%

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

Consolidated
Percentage of Sales

	Three Months Ended August 31, 1997	Three Months Ended August 31, 1996	Nine Months Ended August 31, 1997	Nine Months Ended August 31, 1996
Net sales:				
Cellular product - wholesale	58.6%	53.6%	60.7%	55.2%
Cellular product - retail	0.8	1.5	1.2	1.5
Sound	14.9	19.2	14.2	17.3
Security and accessories	17.5	16.1	15.2	15.7
Activation commissions	4.2	5.5	5.4	6.2
Residual fees	0.8	0.9	0.8	0.9
Other	3.2	3.3	2.6	3.2
Total net sales	100.0	100.0	100.0	100.0
Gross profit	16.7	17.3	16.8	16.3
Total operating expenses	13.5	14.6	14.0	14.2
Operating income	3.3	2.6	2.9	2.0
Other income (expense)	0.4	(1.5)	4.6	(1.3)
Pre-tax income	3.6%	1.1%	7.5%	0.8%

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.

Three months ended August 31, 1997 compared to three months ended August 31, 1996

Net sales were $101,925, an increase of $10,432, or 11.4%, over the same period last year. Unit sales of cellular telephones increased 260,000 units, or 55.9%, over 1996. Average unit selling prices decreased approximately 23.6% but were offset by a corresponding decrease of 23.4% in average unit cost. The number of new cellular subscriptions processed by Quintex decreased 16.3%, with an accompanying decrease in activation commissions of approximately $1,484, or 18.8%. The average commission received by Quintex per activation also decreased approximately 2.9% from last year. Unit gross profit margins decreased to 11.5% from 11.8% last year. Operating expenses decreased to $11,411 from $12,462. As a percentage of net sales, operating expenses decreased to 11.2% during 1997 compared to 13.6% in 1996. Selling expenses decreased $1,317 from last year, primarily in commissions, advertising and divisional marketing, partially offset by increases in trade show expense, travel and entertainment. General and administrative expenses decreased during 1997 by $68 from 1996, primarily in professional fees. Warehousing and assembly expenses increased by $334 during 1997 over last year, primarily in direct labor and field warehouse expenses. Pre-tax income for 1997 was $2,235, an increase of $1,390 compared to last year.

Nine months ended August 31, 1997 compared to nine months ended August 31, 1996

Net sales were $327,375, an increase of $58,326, or 21.7%, over the same period last year. Unit sales of cellular telephones increased 771,000 units, or 60.0%, over 1996. Average unit selling prices decreased approximately 20.0% but were offset by a corresponding decrease of 24.1% in average unit cost. The number of new cellular subscriptions processed by Quintex decreased 2.9%, with an accompanying increase in activation commissions of approximately $10,288. The average commission received by Quintex per activation increased approximately 3.0% from last year. Unit gross profit margins increased to 12.5% from 7.8% last year, primarily due to increased unit sales and reduced unit costs. Operating expenses increased to $38,039 from $34,137. As a percentage of net sales, however, operating expenses decreased to 11.6% during 1997 compared to 12.7% in 1996. Selling expenses increased over last year, primarily in commissions, advertising and divisional marketing. General and administrative expenses increased over 1996 by $451, primarily in office salaries and temporary personnel. Warehousing and assembly expenses increased over 1996 by $1,163, primarily in tooling, direct labor and field warehouse expenses. Pre-tax income for 1997 was $9,024, an increase of $8,227 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 statement of income data for the Communications group expressed as a percentage of net sales:

Communications
Percentage of Sales

	Three Months Ended August 31, 1997	Three Months Ended August 31, 1996	Nine Months Ended August 31, 1997	Nine Months Ended August 31, 1996
Net sales:				
Cellular product - wholesale	88.0%	83.6%	86.8%	83.4%
Cellular product - retail	1.1	2.3	1.7	2.2
Activation commissions	6.3	8.6	7.7	9.3
Residual fees	1.2	1.4	1.1	1.4
Other	3.3	4.1	2.8	3.7
Total net sales	100.0	100.0	100.0	100.0
Gross profit	14.6	16.4	15.4	14.8
Total operating expenses	11.2	13.6	11.6	12.7
Operating income	3.4	2.8	3.8	2.1
Other income (expense)	(1.2)	(1.9)	(1.1)	(1.8)
Pre-tax income	2.2%	0.9%	2.8%	0.3%

Automotive Results
Three months ended August 31, 1997 compared to three months ended August 31, 1996

Net sales decreased approximately $369 compared to last year, a decrease of 0.7%. Decreases were experienced in the automotive sound product lines and were offset by increases in security and accessories product lines. Automotive sound decreased 16.6% compared to last year, primarily due to decreased sales in Heavy

Duty Sound, AV and Private Label product lines, partially offset by an increase in SPS. As explained in footnote number 7, the Company has contributed the net assets of the Heavy Duty Sound division to a new 50%-owned venture. The loss of revenues from the Heavy Duty Sound line was $1,675 for the three months ended August 31, 1996. It is anticipated that the loss of this revenue will be realized from the joint venture. Automotive security and accessories increased 16.5% compared to last year, primarily due to increased sales in Prestige security, Protector Hardgoods and mobile video, partially offset by decreases in net sales of cruise controls. Gross margins increased to 21.4% from 19.1% last year. This increase was experienced in SPS and AV sound products and Protector Hardgoods. Operating expenses increased to $7,078 from $6,553. Selling expenses increased over last year by $102, primarily in commissions, travel and entertainment. General and administrative expenses increased over 1996 by $524, primarily in bad debt expenses and occupational costs in the international operations. Warehousing and assembly expenses decreased from 1996 by $101. Pre-tax income for 1997 was $2,552, an increase of $550 compared to last year.

Nine months ended August 31, 1997 compared to nine months ended August 31, 1996

Net sales increased approximately $3,677 compared to last year, an increase of 2.7%. Increases were experienced in security and accessories and was partially offset by a decrease in sound products. A majority of the increase was from the group's international operations. Automotive sound decreased 5.6% compared to last year. Automotive security and accessories increased 11.5% compared to last year, primarily due to increased sales in Prestige security, Protector Hardgoods and video, partially offset by a decrease in net sales of AA security. Gross margins increased to 20.6% from 18.7% last year. This increase was experienced in SPS and AV sound lines and Protector Hardgoods, partially offset by decreases in Prestige security. Operating expenses increased to $20,030 from $18,518. Selling expenses increased over last year by $704, primarily in our international operations, in commissions and salaries. General and administrative expenses increased over 1996 by $1,106, primarily in our international operations, in occupancy and office expenses and professional fees. Warehousing and assembly expenses decreased from 1996 by $298, primarily from the transfer of Heavy Duty Sound business to the new joint venture. Pre-tax income for 1997 was $5,873, an increase of $2,043 compared to last year.

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 statement of income data for the Automotive group expressed as a percentage of net sales:

Automotive
Percentage of Sales

	Three Months Ended August 31,		Nine Months Ended August 31,	
	1997	1996	1997	1996
Net sales:				
Sound	45.0%	53.6%	47.4%	51.5%
Security and accessories	52.5	44.8	50.6	46.6
Other	2.4	1.7	2.0	1.9
Total net sales	100.0	100.0	100.0	100.0
Gross profit	21.4	19.1	20.6	18.7
Total operating expenses	13.9	12.8	14.3	13.5
Operating income	7.5	6.3	6.3	5.2
Other income (expense)	(2.5)	(2.4)	(2.2)	(2.4)
Pre-tax income	5.0%	3.9%	4.2%	2.8%

Other Income and Expense

Interest expense and bank charges decreased by $1,670 and $4,535 for the three and nine months ended August 31, 1997 compared to the same periods last year, respectively. This is due to reduced interest bearing debt and the decrease in interest bearing subordinated debentures which were exchanged for shares of common stock. Equity in income of equity investments and management fees and related income increased $625 and $449 for the three and nine months ended August 31, 1997 compared to the same periods last year. The equity investment primarily responsible for the increase was ASA, accounting for $640 and $885 of the increase compared to last year for the three and nine months ended, respectively, partially offset by declines in Audiovox Pacific.

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 the third quarter, the Company sold 10,000 shares of CellStar Common Stock yielding net proceeds of approximately $334 and a gain, net of taxes, of approximately $188. For 1997, the

Company has sold a total of 1,735,000 shares of CellStar for net proceeds of $42,422 and a net gain of $21,247.

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 effective tax rates of 44.3% and 55.2% for the three and nine months ended August 31, 1997, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position at August 31, 1997 decreased approximately $4,170 from the November 30, 1996 level. Operating activities used approximately $13,147, primarily from increases in inventory and an advance to a supplier for product to be delivered during the fourth quarter of 1997, partially offset by profitable operations, a decrease in accounts receivable and an increase in accounts payable, accrued expenses and income taxes payable. Investing activities provided approximately $34,713, primarily from the sale of an equity investment. Financing activities used approximately $25,605, primarily from the repayment of bank obligations.

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 1996 and 1997, the Credit Agreement was amended nine times providing for various changes to the terms. The terms as of August 31, 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 ten shares of ACC. Subsequent to year end, 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.

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. In addition, the Company must maintain a minimum level of total net worth of $170,000. The Company must maintain a minimum working capital of $125,000. 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, 1997 and for the reasonable foreseeable future.

Recent Accounting Pronouncements

The Financial Accounting Standards Board has issued Statement 128, "Earnings per Share" (Statement 128). Statement 128 establishes standards for computing and presenting earnings per share (EPS). The Statement simplifies the standards for computing

EPS and makes them comparable to international EPS standards. The provisions of Statement 128 are effective for financial statements issued for periods ending after December 1, 1997, including interim periods. The Statement does not permit early application and requires restatement of all prior-period EPS data presented. Adoption of Statement 128 will not effect the Company's consolidated financial position or results of operations, however the impact on previously reported EPS data is currently unknown.

PART II - OTHER INFORMATION

Item 6. Reports on Form 8-K

During the third 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.

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: October 15, 1997

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

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9-MOS
NOV-30-1997
AUG-31-1997
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