AVX CORP
Form 10-Q
November 08, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

X Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2007.

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from __________ to __________

Commission file number 1-7201

(Exact name of registrant as specified in its charter)

Delaware	33-0379007
(State or other jurisdiction of incorporation or organization)	(IRS Employer ID No.)
801 17th Avenue South, Myrtle Beach, South Carolina	29577
(Address of principle executive offices)	(Zip Code)

(843) 448-9411
(Registrant's phone number, including area code)

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.

YesX No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	X	Accelerated filer	Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes NoX

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 1, 2007
Common Stock, par value $0.01 per share	171,448,520

AVX CORPORATION

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AVX Corporation and Subsidiaries
Consolidated Balance Sheets (Unaudited)
(in thousands, except per share data)

		March 31, 2007		September 30, 2007
ASSETS				
Current assets:				
Cash and cash equivalents	$	684,382	$	581,548
Short-term investments in securities		145,000		120,000
Accounts receivable - trade		191,106		234,714
Accounts receivable - affiliates		5,059		4,377
Inventories		330,141		382,776
Deferred income taxes		26,941		26,953
Prepaid and other		38,766		41,292
Total current assets		1,421,395		1,391,660
Long-term investments in securities		139,000		89,000
Property and equipment		1,593,282		1,702,403
Accumulated depreciation		(1,349,409)		(1,410,376)
		243,873		292,027
Goodwill		71,166		150,702
Intangible assets		-		97,000
Other assets		24,102		9,732
Total Assets	$	1,899,536	$	2,030,121
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable - trade	$	50,903	$	55,656
Accounts payable - affiliates		75,786		91,953
Current portion of long-term debt		-		2,171
Income taxes payable		14,668		5,677
Accrued payroll and benefits		38,965		39,520
Accrued expenses		27,038		34,656
Total current liabilities		207,360		229,633
Long-term debt		-		4,773
Other liabilities		56,897		69,753
Total Liabilities		264,257		304,159
Commitments and contingencies (Note 6)				
Stockholders' Equity:				
Preferred stock, par value $.01 per share: Authorized, 20,000 shares; None issued and outstanding		-		-
Common stock, par value $.01 per share: Authorized, 300,000 shares; issued, 176,368 shares		1,764		1,764
Additional paid-in capital		340,911		342,121
Retained earnings		1,226,283		1,290,188
Accumulated other comprehensive income		128,812		157,377
Treasury stock, at cost: 4,694 and 4,855 shares at March 31 and September 30, 2007, respectively		(62,491)		(65,488)
Total Stockholders' Equity		1,635,279		1,725,962
Total Liabilities and Stockholders' Equity	$	1,899,536	$	2,030,121

See accompanying notes to consolidated financial statements.

AVX Corporation and Subsidiaries
Consolidated Statements of Operations (Unaudited)
(in thousands, except per share data)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2006	**2007**	**2006**	**2007**
Net sales	$ 374,648	$ 400,706	$ 741,056	$ 783,864
Cost of sales	296,757	329,861	587,838	638,133
Restructuring charges	-	2,056	-	2,217
Gross profit	77,891	68,789	153,218	143,514
Selling, general and administrative expenses	29,415	29,581	57,789	60,149
In-process reseach and development charge	-	390	-	390
Profit from operations	48,476	38,818	95,429	82,975
Other income (expense):				
Interest income	9,639	13,140	17,633	25,222
Interest expense	-	-	-	(242)
Other, net	(655)	44	(1,924)	(800)
Income before income taxes	57,460	52,002	111,138	107,155
Provision for income taxes	18,675	14,561	36,120	30,555
Net income	$ 38,785	$ 37,441	$ 75,018	$ 76,600
Earnings per share:				
Basic	$ 0.23	$ 0.22	$ 0.44	$ 0.45
Diluted	$ 0.22	$ 0.22	$ 0.43	$ 0.44
Weighted average common shares outstanding:				
Basic	172,094	171,685	172,187	171,741
Diluted	172,784	172,477	172,952	172,554

See accompanying notes to consolidated financial statements.

AVX Corporation and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Six Months Ended September 30, 2006	2007
Operating Activities:		
Net income	$ 75,018	$ 76,600
Adjustment to reconcile net income to net cash from operating activities,		
net of business acquired:		
Depreciation	27,275	24,229
In-process research and development charge	-	390
Stock-based compensation expense	1,365	1,374
Deferred income taxes	6,937	6,660
(Gain) Loss on sale of property, plant & equipment	-	(4)
Changes in operating assets and liabilities, net of business acquired:		
Accounts receivable	(17,804)	(28,673)
Inventories	(384)	(10,438)
Accounts payable and accrued expenses	29,419	23,060
Income taxes payable	4,505	(4,929)
Other assets	(5,107)	12,576
Other liabilities	(2,605)	(15,508)
Net cash provided by (used in) operating activities	118,619	85,337
Investing Activities:		
Purchases of property and equipment	(21,975)	(27,038)
Purchase of business, net of cash acquired	-	(223,333)
Purchases of investment securities	(79,000)	(59,000)
Redemption of investment securities	138,000	134,000
Proceeds from property, plant & equipment dispositions	-	19
Net cash provided by (used in) investing activities	37,025	(175,352)
Financing Activities:		
Dividends paid	(12,916)	(13,756)
Purchase of treasury stock	(7,526)	(6,534)
Proceeds from exercise of stock options	3,958	2,889
Excess tax benefit from stock-based payment arrangements	608	483
Net cash provided by (used in) financing activities	(15,876)	(16,918)
Effect of exchange rate on cash	5,582	4,099
Increase (decrease) in cash and cash equivalents	145,350	(102,834)

Cash and cash equivalents at beginning of period		505,326		684,382
Cash and cash equivalents at end of period	$	650,676	$	581,548

See accompanying notes to consolidated financial statements.

AVX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(in thousands, except per share data)

1. Basis of Presentation:

The consolidated financial statements of AVX Corporation and subsidiaries ("AVX" or the "Company") include all accounts of the Company and its subsidiaries. All significant intercompany transactions and accounts have been eliminated. The accompanying financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial reporting. These consolidated financial statements are unaudited, and in the opinion of management, include all adjustments, consisting of normal recurring adjustments and accruals, necessary for the fair presentation of the consolidated balance sheets, operating results and cash flows for the periods presented. Operating results for the three and six months ended September 30, 2007 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2008 due to cyclical and other factors. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted in accordance with the rules and regulations of the SEC. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2007.

Critical Accounting Policies and Estimates:

The Company has identified the accounting policies and estimates that are critical to our business operations and understanding the Company's results of operations. Those policies and estimates can be found in Note 1, "Summary of Significant Accounting Policies", of the Notes to Consolidated Financial Statements and in "Critical Accounting Policies and Estimates", in “Management's Discussion and Analysis of Financial Condition and Results of Operations” contained in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2007. Accordingly, this Quarterly Report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2007. During the six month period ended September 30, 2007, except as noted below, there were no significant changes to any critical accounting policies, judgments involved in applying those policies or to the methodology used in determining estimates including those related to revenue recognition, inventories, goodwill, intangible assets, property and equipment, income taxes and contingencies.

New Accounting Standards

In June 2006, the Financial Accounting Standards Board (“FASB”) issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, “Accounting for Income Taxes.” FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires that we recognize in our financial statements, the impact of a tax position, if that position is “more likely than not” of being sustained on audit, based on the technical merits of the position. The Company adopted the provisions of FIN 48 effective April 1, 2007. The cumulative effect of the change in retained earnings as of the date of adoption, which represents the difference between the net amount of assets and liabilities recognized in the Company’s consolidated balance sheet prior to the application of FIN 48 and the net amount of assets and liabilities recognized as a result of applying FIN 48, is an increase of approximately $1,100.

The amount of unrecognized tax benefits recorded on the Company’s balance sheet at the date of adoption, and that, if recognized, would affect the effective tax rate is approximately $5,500. This amount excludes an accrual for estimated interest and penalties in the amount of approximately $240 which has been recorded as a component of interest expense.

The Company does not expect that the balances with respect to its uncertain tax positions will significantly increase or decrease within the next 12 months. For its more significant locations, the Company is subject to income tax examinations generally for the year 2001 and for the years 2004 and forward in the United States, 2004 and forward in Singapore, 2001 and forward in Hong Kong, and 2001 and forward in the United Kingdom.

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, “Fair Value Measurements” (“SFAS 157”), which defines fair value, provides guidance for measuring fair value and requires additional disclosures. This statement does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of SFAS 157 on the consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standard No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115” (“SFAS 159”), which permits entities to choose to measure many financial instruments and certain other items at fair value. In accordance with SFAS 159, entities will report unrealized gains and losses for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Early adoption is permitted provided SFAS 157 provisions are applied. The Company is currently evaluating the impact of SFAS 159 on the consolidated financial statements.

Goodwill and Acquired Intangible Assets

Goodwill totaling $77,456 at September 30, 2007, was recorded as a result of the September 25, 2007 acquisition of American Technical Ceramics Corp. (“ATC”). This amount, which represents the excess of the purchase price over the estimated fair value of assets acquired and liabilities assumed, is subject to adjustment as the Company completes its analysis of these fair values.

As of the date of acquisition, intangible assets resulting from the merger with ATC were recorded at estimated fair value and are being amortized on a straight-line basis over their estimated useful lives. These identifiable intangible assets include, but are not limited to, tradename, customer relationships, and developed technologies and are subject to adjustment as indicated above. See Note 10 for information regarding this acquisition.

2. Earnings Per Share:

Basic earnings per share are computed by dividing net earnings by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per share are computed by dividing net earnings by the sum of (a) the weighted average number of shares of common stock outstanding during the period and (b) the dilutive effect of potential common stock equivalents during the period. Stock options are the only common stock equivalents currently used by the Company and are computed using the treasury stock method.

The table below represents the basic and diluted weighted average number of shares of common stock and potential common stock equivalents:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2006	2007	2006	2007
Net Income	$ 38,785	$ 37,441	$ 75,018	$ 76,600
Computation of Basic EPS:				
Weighted Average Shares Outstanding used in computing Basic EPS	172,094	171,685	172,187	171,741
Basic earnings per share	$ 0.23	$ 0.22	$ 0.44	$ 0.45
Computation of Diluted EPS:				
Weighted Average Shares Outstanding	172,094	171,685	172,187	171,741
Effect of stock options	690	792	765	813
Shares used in computing Diluted EPS (1)	172,784	172,477	172,952	172,554
Diluted earnings per share	$ 0.22	$ 0.22	$ 0.43	$ 0.44

(1) Common stock equivalents, not included in the computation of diluted earnings per share because the impact would have been antidilutive, were 3,028 shares and 2,801 shares and 2,663 shares and 2,629 shares for the three months and six months ended September 30, 2006 and 2007, respectively.

3. Trade Accounts Receivable:

	March 31, 2007	September 30, 2007
Gross Accounts Receivable - Trade	$ 213,869	$ 259,446
Less:		
Allowances for doubtful accounts	1,705	1,409
Stock rotation and ship from stock and debit	11,918	13,806
Sales returns and discounts	9,140	9,517
Total allowances	22,763	24,732
Net Accounts Receivable - Trade	$ 191,106	$ 234,714

Charges related to allowances for doubtful accounts are charged to selling, general and administrative expenses. Charges related to stock rotation, ship from stock and debit, sales returns and sales discounts are reported as deductions from revenue.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2006	2007	2006	2007
Allowances for doubtful accounts:				
Beginning Balance	$ 1,533	$ 1,643	$ 1,772	$ 1,705
Charges	3	(42)	(252)	(42)
Applications	(137)	(198)	(137)	(273)
Translation and other	16	6	32	19
Ending Balance	$ 1,415	$ 1,409	$ 1,415	$ 1,409

Stock rotation and ship from stock and debit:

Beginning Balance	$ 15,289	$ 13,082	$ 14,292	$ 11,918
Charges	10,935	10,558	21,899	21,382
Applications	(10,503)	(9,841)	(20,513)	(19,518)
Translation and other	21	7	64	24
Ending Balance	$ 15,742	$ 13,806	$ 15,742	$ 13,806

Sales returns and discounts:

Beginning Balance	$ 8,945	$ 9,829	$ 8,496	$ 9,140
Charges	8,341	7,050	13,404	15,538
Applications	(7,672)	(7,407)	(12,345)	(15,223)
Translation and other	47	45	106	62
Ending Balance	$ 9,661	$ 9,517	$ 9,661	$ 9,517

4. Inventories:

	March 31, 2007	**September 30, 2007**
Finished goods	$ 100,266	$ 113,661
Work in process	98,147	102,723
Raw materials and supplies	131,728	166,392
	$ 330,141	$ 382,776

5. Stock-Based Compensation:

In May 2007, the Company granted 496 options to employees pursuant to the 2004 Stock Option Plan described in Note 9, “Stock Based Compensation”, of the Notes to Consolidated Financial Statements contained in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2007. The weighted average grant date fair value per share is $5.99 and the weighted average exercise price per share for these options is $17.88.

In August 2007, the Company granted options to purchase an aggregate of 120 shares of common stock to its non-employee directors pursuant to the 2004 Non-Employee Directors’ Stock Option Plan described in Note 9, “Stock Based Compensation”, of the Notes to Consolidated Financial Statements contained in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2007. The weighted average grant date fair value per share is $4.15 and the weighted average exercise price per share for these options is $16.20.

6. Commitments and Contingencies:

The amount of unrecognized tax benefits recorded on the Company’s balance sheet at the date of adoption of FIN 48 was approximately $5,500. The Company is unable to reasonably estimate in which future periods these amounts will ultimately be settled.

The Company has been named as a potentially responsible party ("PRP") in state and federal administrative proceedings seeking contribution for costs associated with the correction and remediation of environmental conditions at various waste disposal and operating sites. To resolve the Company's liability at each of the sites at which the Company has been named a PRP, the Company has entered into various administrative orders and consent decrees with federal and state regulatory agencies governing the timing and nature of investigation and remediation. The Company has paid, or reserved for, all estimated amounts required under the terms of these orders and decrees corresponding to the Company's apportioned share of the liabilities. As is customary, the orders and decrees regarding sites where the PRPs are not themselves implementing the chosen remedy contain provisions allowing the EPA to reopen the agreement and seek additional amounts from settling PRPs in the event that certain contingencies occur, such as the discovery of significant new information about site conditions during remediation or substantial cost overruns for the chosen remedy. The existence of these reopener provisions, combined with the difficulties of reliably estimating remediation costs and the joint and several nature of such liabilities, makes it difficult to predict the ultimate liability at any site with certainty.

In July 2007, the Company received oral notification from the EPA indicating that it is considering exercising the reopener provision under a 1991 consent decree relating to the environmental conditions at, and remediation of, New Bedford Harbor, Massachusetts. Under that consent decree, the Company paid $66,000, plus interest, toward the environmental conditions at, and remediation of, the harbor in settlement with the EPA and the Commonwealth of Massachusetts, subject to reopener provisions, including a reopener if certain remediation costs for the site exceed $130,500. The EPA has indicated that remediation costs through April 2007 (which remediation is ongoing) are approximately $302,000. The Company has not yet undertaken discussions with the EPA regarding this matter, the monies spent or any evaluation of the merits or applicability of the reopener provisions to the current status of the site. The Company has also not yet determined the extent to which other parties may bear responsibility for these costs. Accordingly, the potential impact of this matter on the Company's financial position, results of operations and cash flows cannot be determined at this time.

On June 2, 2006, the Company received a "Confirmation of Potential Liability; Demand and Notice of Decision Not to Use Special Notice Procedures" dated May 31, 2006 from the EPA with regard to the purported release of hazardous substances at a facility referred to as the "Aerovox Facility" (the "Facility"), located at 740 Belleville Avenue, New Bedford, Massachusetts. The EPA sought $1,600 (subsequently modified to $900) of past costs, as well as future costs associated with the demolition of the Facility. A predecessor of AVX sold this Facility to an unrelated third party in 1973. The Company has investigated the claim as well as potential defenses and other actions, including the engagement of environmental engineering consultants to study and analyze documentation made available by the EPA with respect to the Facility. In August 2006, the Company provided a written response to the EPA, denying liability. The EPA has recently indicated orally that the proposed plan of remediation has been modified, and that its present provisional estimate of future costs for such remediation is $13,700. The Company anticipates further discussions with the EPA. The potential impact on the Company's financial position, results of operations and cash flows cannot be determined at this time.

In September 2007, the Company received notice from Horry Land Company, the owner of property adjacent to the Company's South Carolina factory, that Horry Land Company's property value had been negatively impacted by alleged migration of certain pollutants from the Company's property. Horry Land Company is seeking to recover $5,400 in compensatory damages, exclusive of costs that have not been determined. The Company investigated the allegations and determined that the demanded payment was not justified and that issues of liability, among other issues, exist under environmental laws. At this stage of the related environmental assessment, the Company has not been able to determine what measures may have to be undertaken or the likely costs of any such measures. AVX and the Horry Land Company have filed complaints related to this issue. See Part II, Item 1, of this Form 10-Q for details related to this litigation. Further, at this early stage of the litigation, there has not been a determination as to responsible parties or the amount, if any, of damages. Accordingly, the potential impact of the matter on the Company's financial position, results of operations, and cash flows cannot be determined at this time.

The Company also currently operates on sites that may have environmental issues in the future. Once it becomes probable that the Company will incur costs in connection with remediation of a site and such costs can be reasonably estimated, the Company establishes reserves or adjusts its reserve for its projected share of these costs. Management believes that, as of September 30, 2007, its reserves of approximately $2,717 are appropriate with respect to these matters, although actual costs may vary from these estimated reserves.

The Company is also involved in other disputes and legal proceedings arising in the normal course of business. While the Company cannot predict the outcome of these disputes and proceedings, the Company believes, based upon a review with legal counsel, that none of these disputes or proceedings will have a material impact on the Company's financial position, results of operations, or cash flows. However, the Company cannot be certain of the eventual outcome of any particular proceeding and any adverse potential impact on the Company's financial position, results of operations and cash flows from these or other matters that may arise from time to time.

7. Comprehensive Income:

Comprehensive income represents changes in equity during a period except those resulting from investments by and distributions to shareholders. The specific components include net income, pension liability adjustments, deferred gains and losses resulting from foreign currency translation adjustments and qualified foreign currency cash flow hedges.

Comprehensive income includes the following components:

	Three Months Ended September 30,		**Six Months Ended September 30,**	
	2006	**2007**	**2006**	**2007**
Net income	$ 38,785	$ 37,441	$ 75,018	$ 76,600
Other comprehensive income:				
Pension liability adjustment, net of tax	-	426	-	852
Foreign currency translation adjustment	14,648	19,762	39,626	27,881
Foreign currency cash flow hedges	704	1,194	(271)	(168)
Comprehensive income	$ 54,137	$ 58,823	$ 114,373	$ 105,165

8. Segment and Geographic Information:

The Company has three reportable segments: Passive Components, KED Resale and Connectors. The Passive Components segment consists primarily of surface mount and leaded ceramic and tantalum capacitors, film and power capacitors and varistors. The KED Resale segment consists primarily of ceramic capacitors, crystal oscillators, SAW devices, resistive products, RF modules, actuators, acoustic devices and connectors produced by Kyocera Corporation of Japan ("Kyocera") and resold by AVX. The Connectors segment consists primarily of Elco automotive, telecom and memory connectors manufactured by AVX. Sales and operating results from these reportable segments are shown in the tables below. In addition, the Company has a corporate administration group consisting of finance and administrative activities and a separate research and development group.

The Company evaluates performance of its segments based upon sales and operating profit. There are no intersegment revenues. The Company allocates the costs of shared resources between segments based on each segment's usage of the shared resources. Cash, accounts receivable, investments in securities and certain other assets, which are centrally managed, are not readily allocable to operating segments.

The tables below present information about reported segments:

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2007	Six Months Ended September 30, 2006	Six Months Ended September 30, 2007
Net sales:				
Passive Components	$221,284	$226,778	$449,323	$453,204
KED Resale	128,213	148,044	244,206	279,198
Connectors	25,151	25,884	47,527	51,462
Total	$374,648	$400,706	$741,056	$783,864

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2007	Six Months Ended September 30, 2006	Six Months Ended September 30, 2007
Operating profit:				
Passive Components	$ 46,244	$ 39,348	$ 94,901	$ 86,498
KED Resale	10,419	12,029	19,684	23,508
Connectors	2,132	2,510	3,847	4,803
Research & development	(2,775)	(2,878)	(5,322)	(5,742)
Corporate administration	(7,544)	(12,191)	(17,681)	(26,092)
Total	$ 48,476	$ 38,818	$ 95,429	$ 82,975

	March 31, 2007	September 30, 2007
Assets:		
Passive Components	$ 498,343	$ 696,834
KED Resale	39,943	41,304
Connectors	44,913	47,392
Research & development	7,133	7,097
Cash, A/R and investments in securities	1,164,547	1,029,639
Goodwill - Passive components	60,889	140,425
Goodwill - Connectors	10,277	10,277
Corporate administration	73,491	57,153
Total	$1,899,536	$ 2,030,121

The following geographic data is based upon net sales generated by operations located within particular geographic areas:

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2007	Six Months Ended September 30, 2006	Six Months Ended September 30, 2007
Net sales:				

Americas	$108,874	$102,851	$221,329	$205,484
Europe	82,999	92,078	168,716	184,706
Asia	182,775	205,777	351,011	393,674
Total	$374,648	$400,706	$741,056	$783,864

9. Pension Plans:

The following tables show the components of the net periodic pension cost for the three and six months ended September 30, 2006 and 2007 for the Company's defined benefit plans:

	U.S. Plans Three Months Ended September 30, 2006	U.S. Plans Three Months Ended September 30, 2007	International Plans Three Months Ended September 30, 2006	International Plans Three Months Ended September 30, 2007
Service cost	$ 100	$ 107	$ 342	$ 373
Interest cost	406	409	1,375	1,513
Expected return on plan assets	(399)	(426)	(1,252)	(1,366)
Amortization of prior service cost	18	21	15	17
Recognized actuarial loss	45	66	316	371
Net periodic pension cost	$ 170	$ 177	$ 796	$ 908

	U.S. Plans Six Months Ended September 30, 2006	U.S. Plans Six Months Ended September 30, 2007	International Plans Six Months Ended September 30, 2006	International Plans Six Months Ended September 30, 2007
Service cost	$ 200	$ 214	$ 684	$ 746
Interest cost	812	818	2,750	3,026
Expected return on plan assets	(798)	(852)	(2,504)	(2,732)
Amortization of prior service cost	36	42	30	34
Recognized actuarial loss	90	132	632	742
Net periodic pension cost	$ 340	$ 354	$ 1,592	$ 1,816

Based on current actuarial computations, in fiscal year 2008, the Company has made approximately $3,200 in contributions to the U.S. plans, and approximately $3,000 in contributions to the international plans. The Company expects to make no additional contributions to the U.S. plans, and approximately $3,400 in additional contributions to the international plans during the remainder of the 2008 fiscal year.

10. Acquisition:

On September 25, 2007, the Company acquired by merger all of the outstanding capital stock of American Technical Ceramics Corp. in exchange for approximately $231,000 in cash, plus related acquisition costs. ATC designs, develops, manufactures and markets electronic components, including ceramic multilayer capacitors and custom thin film circuits. ATC's products are used in a broad range of commercial and military applications, including wireless infrastructure, fiber optics, medical electronics, semiconductor manufacturing equipment and satellite equipment. ATC has manufacturing facilities and sales offices in New York, manufacturing and research and development facilities in Florida, and sales offices in Sweden and China.

The Company has used the purchase method of accounting to record the acquisition in accordance with Statement of Financial Accounting Standards No. 141, ("SFAS 141"), "Business Combinations". In accordance with the purchase method, the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. As of September 30, 2007, the allocation of the purchase price has been prepared based on preliminary estimates of fair values and is subject to additional adjustment upon completion of the analysis. The results of operations for ATC are included in the accompanying Consolidated Statement of Operations since the acquisition date. The results of ATC were not material. The related assets and liabilities were recorded based upon their estimated relative fair values at the date of acquisition with the excess being allocated to goodwill as shown in the following table.

Assets and Liabilites Acquired		
Accounts receivable	$	12,818
Inventory		31,339
Other current assets and liabilities		2,247
Working capital	$	46,404
Property and equipment		38,367
Intangible assets		97,390
Other assets		263
Long-term debt		(4,773)
Deferred taxes		(23,790)
Total identified assets and liabilities	$	153,861
Purchase price	$	231,317
Goodwill	$	77,456

For the Company's segment reporting, ATC will be reported in the Advanced Component product group in the Passive Component segment. Goodwill associated with the acquisition has been allocated to the Passive Component reporting unit and is subject to adjustments upon the completion of the analysis referred to above.

11. Debt

As a result of the merger with ATC, at September 25, 2007, the Company recorded $6,944 in long-term and short-term debt. In accordance with SFAS 141, the debt was recorded at the present values of the amounts to be paid using current interest rates.

As of September 30, 2007, the Company had $3,623 of borrowings outstanding under a credit facility with General Electric Capital Corporation at fixed interest rates ranging from 7.15% to 7.93%. Borrowings under this line of credit are secured by the equipment purchased thereunder. Also at September 30, 2007, the Company had $1,476 outstanding under loans from Svenska Handelsbanken, AB. The loans are unsecured and bear interest at fixed rates ranging from 3.56% to 4.59%.

The Company leases an administrative office, manufacturing and research and development complex located in Jacksonville, Florida. The lease is for a period of 30 years expiring September 30, 2010.

The following table sets forth the contractual maturity of debt payable to banks and debt related to the capital lease as of September 30, 2007:

2008	$2,171
2009	2,677
2010	1,904
2011	192
Total minimum debt payments	6,944
Less: current portion	2,171
	$4,773

12. Restructuring

During the first half of the fiscal year, restructuring plans were developed to reduce the workforce in certain European locations to realign the Company's production capabilities. All onetime termination benefits have been accrued in accordance with Statement of Financial Accounting Standard No. 146, "Accounting for Costs Associated With Exit or Disposal Activities". The Company has recorded termination benefit charges of $2,056 and $2,217 related to this reduction in workforce for the three and six months ended September 30, 2007, respectively. The restructuring plans cover the termination of 105 employees. As of the end of the second quarter, 22 employees have left the Company and their severance benefits have been paid. In the Company's consolidated balance sheet as of September 30, 2007, the Company has a remaining accrual of $1,820 for termination benefits for the balance of employees that will leave the Company under the restructuring plan during the next quarter.

13. Subsequent Events

On October 17, 2007, the Board of Directors of the Company declared a $0.04 dividend per share of common stock with respect to the quarter ended September 30, 2007. The dividend will be paid to stockholders of record on November 2, 2007 and will be disbursed on November 16, 2007. Also on October 17, 2007, the Board of Directors of the Company authorized the repurchase of an additional 5,000 shares of the Company's common stock from time to time in the open market. The repurchased shares are held as treasury stock and are available for general corporate purposes.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact, including statements regarding industry prospects and future results of operations or financial position, made in this Quarterly Report on Form 10-Q are forward-looking. The forward-looking information may include, among other information, statements concerning the Company's outlook for fiscal year 2008, overall volume and pricing trends, cost reduction and acquisition strategies and their anticipated results, expectations for research and development, and capital expenditures. There may also be other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. Forward-looking statements reflect management's expectations and are inherently uncertain. The forward-looking information and statements in this report are subject to risks and uncertainties, including those discussed in Item1A, “Risk Factors,” in the Company's Annual Report on Form 10-K for fiscal year ended March 31, 2007, that could cause actual results to differ materially from those expressed in or implied by the information or statements herein. Forward-looking statements should be read in context with, and with the understanding of, the various other disclosures concerning the Company and its business made elsewhere in this quarterly report as well as other public reports filed by the Company with the SEC. You should not place undue reliance on any forward-looking statements as a prediction of actual results or developments.

The Company does not intend to update or revise any forward-looking statement contained in this quarterly report to reflect new events or circumstances unless and to the extent required by applicable law. All forward-looking statements contained in this quarterly report constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and, to the extent it may be applicable by way of incorporation of statements contained in this quarterly report by reference or otherwise, Section 27A of the Securities Act of 1933, as amended, each of which establishes a safe-harbor from private actions for forward-looking statements as defined in those statutes.

Critical Accounting Policies and Estimates

"Management's Discussion and Analysis of Financial Condition and Results of Operations" is based upon the Company's Consolidated Financial Statements and Notes thereto, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. On an ongoing basis, management evaluates its estimates and judgments, including those related to revenue recognition, inventories, property and equipment, goodwill, intangible assets, income taxes and contingencies. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. There can be no assurance that actual results will not differ from those estimates.

The Company has identified the accounting policies and estimates that are critical to our business operations and understanding the Company's results of operations. Those policies and estimates can be found in Note 1, "Summary of Significant Accounting Policies", of the Notes to Consolidated Financial Statements and in "Critical Accounting Policies and Estimates", in “Management's Discussion and Analysis of Financial Condition and Results of Operations” contained in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2007 and in Note 1, "Critical Accounting Policies and Estimates", in the Notes to Consolidated Financial Statements in this Form 10-Q. Accordingly, this Quarterly Report on Form 10-Q should be read in conjunction with the Company's Annual

Report on Form 10-K for the fiscal year ended March 31, 2007. During the three month period ended September 30, 2007, except as noted in Note 1, "Critical Accounting Policies and Estimates", of the Company's Notes to Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q, there were no significant changes to any critical accounting policies, judgments involved in applying those policies or the methodology used in determining estimates with respect to those related to revenue recognition, inventories, goodwill, property and equipment, income taxes and contingencies.

Business Overview

AVX is a leading worldwide manufacturer and supplier of a broad line of passive electronic components. Virtually all types of electronic devices use our passive component products to store, filter or regulate electric energy. We also manufacture and supply high-quality electronic connectors and inter-connect systems for use in electronic products.

We have manufacturing, sales and distribution facilities located throughout the world which are divided into three main geographic regions: the Americas, Asia and Europe. AVX is organized into five main product groups with three reportable segments: Passive Components, KED Resale and Connectors. The Passive Components segment consists primarily of surface mount and leaded ceramic capacitors, RF thick film and thin film components, tantalum capacitors, film capacitors, ceramic and film power capacitors, super capacitors, EMI filters, thick and thin film packages, varistors, and resistive products. The KED Resale segment consists primarily of ceramic capacitors, crystal oscillators, SAW devices, resistive products, RF modules, actuators, acoustic devices and connectors produced by Kyocera, and resold by AVX. The Connectors segment consists primarily of Elco automotive, telecom and memory connectors manufactured by AVX.

Our customers are multi-national original equipment manufacturers, or OEMs, independent electronic component distributors and electronic manufacturing service providers, or EMSs. We market our products through our own direct sales force and independent manufacturers' representatives, based upon market characteristics and demands. We coordinate our sales, marketing and manufacturing organizations by strategic customer account and geographically by region.

We sell our products to customers in a broad array of industries, such as telecommunications, information technology hardware, automotive electronics, medical devices and instrumentation, industrial instrumentation, defense and aerospace electronic systems and consumer electronics.

Results of Operations - Three Months Ended September 30, 2007 and 2006

Net income for the quarter ended September 30, 2007 was $37.4 million, or diluted earnings per share of $0.22, compared to $38.8 million, or $0.22 diluted earnings per share for the quarter ended September 30, 2006. This decrease is due in part to after-tax charges of $1.4 million related to headcount reductions at facilities in Europe and $0.4 million for in-process research and development resulting from the acquisition of American Technical Ceramics Corp., ("ATC") on September 25, 2007 discussed below. Net income excluding the $1.8 million in charges for the quarter ended September 30, 2007, was $39.3 million, a $0.5 million increase over the same quarter last year.

	Three Months Ended September 30,			
$(000's)		**2006**		**2007**
Net Sales	$	374,648	$	400,706
Gross Profit		77,891		68,789
Operating Income		48,476		38,818
Net Income		38,785		37,441
Diluted Earnings per Share	$	0.22	$	0.22

Net sales in the three months ended September 30, 2007 increased $26.1 million, or 7.0%, to $400.7 million compared to $374.6 million in the three months ended September 30, 2006. This increase is primarily a result of continued end-market growth and demand in the expanding electronics marketplace. Overall sales prices have remained stable during the current quarter as a result of the continued high production capacity utilization needed to meet the strong end-market demand for electronics.

The table below represents product group revenues for the three month periods ended September 30, 2006 and September 30, 2007.

Sales Revenue	**Three Months Ended September 30,**			
$(000's)		**2006**		**2007**
Ceramic Components	$	57,254	$	55,128
Tantalum Components		67,761		79,759
Advanced Components		96,269		91,891
Total Passive Components		221,284		226,778
KDP and KKC Resale		109,118		126,075
KEC Resale		19,095		21,969
Total KED Resale		128,213		148,044
Connectors		25,151		25,884
Total Revenue	$	374,648	$	400,706

Passive Component sales increased $5.5 million, or 2.5%, to $226.8 million in the three months ended September 30, 2007 from $221.3 million during the same quarter last year. The sales increase in Passive Components was primarily due to higher sales volumes of the Company's Tantalum Components. This reflects a market with an escalating demand for new and value added components that provide unique solutions necessary for today's complex electronic devices. Lower Advanced Component sales were principally customer project driven, particularly in the medical market.

KDP and KKC Resale sales increased 15.5% to $126.1 million in the three months ended September 30, 2007 compared to $109.1 million during the same quarter last year. When compared to the same period last year, the increase during the quarter ended September 30, 2007 is primarily attributable to a 36.5% increase in unit sales volume resulting from increased customer demand for these products.

Total Connector sales, including AVX manufactured and KEC Resale connectors, increased $3.6 million, or 8.2%, to $47.9 million in the three months ended September 30, 2007 compared to $44.2 million during the same period last year. When compared to the same quarter last year, this increase was primarily attributable to customer demand for complex electronic devices and new programs, particularly in the automotive sector, as more electronic content is needed to support the functionality being built into today's vehicles.

The Company's sales to independent electronic distributor customers represented 42.5% of total sales for the three months ended September 30, 2007, compared to 41.4% for the three months ended September 30, 2006. The Company's sales to distributor customers involve specific ship and debit and stock rotation programs for which sales allowances are recorded as reductions in sales. Such allowance charges were $10.6 million, or 5.9% of gross sales to distributor customers, for the three months ended September 30, 2007 and $10.9 million, or 6.6% of gross sales to distributor customers, for the three months ended September 30, 2006. Applications under such programs for the quarters ended September 30, 2007 and 2006 were approximately $9.8 million and $10.5 million, respectively.

Geographically, compared to the same period last year, sales increased 12.6% in Asia, and 10.9% in Europe. This reflects the increased customer production and demand in the Asian region and improved demand in Europe especially for our Connector products. These increases were partially offset by lower demand in the Americas, where sales decreased 5.5% compared to the same period last year. In addition, the weakening of the U.S. dollar against certain foreign currencies positively impacted sales by $5.2 million, when compared to the same quarter last year.

Gross profit in the three months ended September 30, 2007 was 17.2% of sales or $68.8 million compared to a gross profit margin of 20.8% or $77.9 million in the three months ended September 30, 2006. This decrease is attributable to several factors including a 15.5% increase in sales of our resale products with generally lower margins when compared to our manufactured products, coupled with higher raw material and utility costs and the negative effects of currency translation. The negative effect of currency translation of approximately $7.4 million, when compared to the same quarter last year, was primarily due to the currency movement on reported European costs of sales due to the weakness of the U.S. dollar. In addition, we incurred restructuring charges of $2.1 million related to headcount reductions in Europe as we continue to realign production capabilities. These increases in costs were partially offset by the Company's continued efforts to increase efficiency of our production, to lower operating costs, and to pursue increased capacity for the production of value added products.

Selling, general and administrative expenses remained relatively consistent compared to the same quarter last year. In the three months ended September 30, 2007 selling, general and administrative expenses were $29.6 million, or 7.4% of net sales, compared to $29.4 million, or 7.9% of net sales, in the three months ended September 30, 2006.

Income from operations declined $9.7 million to $38.8 million in the three months ended September 30, 2007 compared to $48.5 million in the three months ended September 30, 2006. The decrease is due to the factors discussed above including a $0.4 million charge related to the write off of in-process research and development cost related to the acquisition of ATC.

Other income increased $4.2 million to $13.2 million in the three months ended September 30, 2007 compared to $9.0 million in the same period last year. This increase is predominately due to higher interest income resulting from higher interest rates and higher cash and securities investment balances during the quarter.

The Company's effective tax rate for the three-month period ended September 30, 2007 was 28.0% compared to 32.5% for the same period last year. This lower effective tax rate is primarily due to higher profits in lower tax jurisdictions in the current period when compared to the same period last year. In addition, the effective tax rate was favorably impacted from the benefit of our foreign branch losses taken as deductions in prior years' U.S. tax returns no longer subject to U.S. income tax recapture regulations, partially offset by the negative impact on certain deferred tax balances resulting from the recent change in enacted tax rates in the United Kingdom and Germany.

Results of Operations - Six Months Ended September 30, 2007 and 2006

Net income for the six months ended September 30, 2007 increased 1.6 million to $76.6 million, or diluted earnings per share of $0.44, compared to $75.0 million, or $0.43 diluted earnings per share for the quarter ended September 30, 2006. This increase includes offsetting after-tax charges of $1.5 million related to headcount reductions at facilities in Europe and $0.4 million for in-process research and development resulting from the acquisition of ATC on September 25, 2007 discussed below. Net income excluding the $1.9 in charges for the first half of this fiscal year was $78.5 million, a $3.5 million increase over the same period in the prior year.

	Six Months Ended September 30,	
$(000's)	**2006**	**2007**
Net Sales	$ 741,056	$ 783,864
Gross Profit	153,218	143,514
Operating Income	95,429	82,975
Net Income	75,018	76,600
Diluted Earnings per Share	$ 0.43	$ 0.44

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Net sales in the six months ended September 30, 2007 increased $42.8 million, or 5.8%, to $783.9 million compared to $741.1 million in the six months ended September 30, 2006. This increase is primarily a result of continued end-market growth and demand in the expanding electronics marketplace. Overall sales prices have declined approximately 2% during the first half of the fiscal year, which is below historic norms as a result of the continued high industry production capacity utilization needed to meet the strong end-market demand for electronics.

The table below represents product group revenues for the six month periods ended September 30, 2006 and September 30, 2007.

Sales Revenue	**Six Months Ended September 30,**	
$(000's)	**2006**	**2007**
Ceramic Components	$ 119,224	$ 109,205
Tantalum Components	142,087	159,436
Advanced Components	188,012	184,563
Total Passive Components	449,323	453,204
KDP and KKC Resale	207,682	236,136
KEC Resale	36,524	43,062
Total KED Resale	244,206	279,198
Connectors	47,527	51,462
Total Revenue	$ 741,056	$ 783,864

Passive Component sales increased $3.9 million, or 0.9%, to $453.2 million in the six months ended September 30, 2007 from $449.3 million during the same period last year. The sales increase in Passive Components was primarily due to higher sales volumes of the Company's Tantalum Components. This reflects a market with an escalating demand for new and value added components that provide unique solutions necessary for today's more complex electronic devices. Lower Advanced Component sales were principally customer project driven, particularly in the medical market.

KDP and KKC Resale sales increased 13.7% to $236.1 million in the six months ended September 30, 2007 compared to $207.7 million during the same period last year. When compared to the same six months last year, this increase is primarily attributable to a 28.8% increase in unit sales volume resulting from increased customer demand for these products.

Total Connector sales, including AVX manufactured and KEC Resale connectors, increased $10.5 million, or 12.5%, to $94.5 million in the six months ended September 30, 2007 compared to $84.1 million during the same period last year. When compared to the same period last year, this increase was primarily attributable to customer demand for complex electronic devices and new programs, particularly in the automotive sector, as more electronic content is needed to support the functionality being built into today's vehicles.

The Company's sales to independent electronic distributor customers represented 43.2% of total sales for the six months ended September 30, 2007, compared to 42.4% for the six months ended September 30, 2006. The Company's sales to distributor customers involve specific ship and debit and stock rotation programs for which sales allowances are recorded as reductions in sales. Such allowance charges were $21.4 million, or 5.9% of gross sales to distributor customers, for the six months ended September 30, 2007 and $21.9 million, or 6.5% of gross sales to distributor customers, for the six months ended September 30, 2006. Applications under such programs for the six months ended September 30, 2007 and 2006 were approximately $19.5 million and $20.5 million, respectively.

Geographically, compared to the same period last year, sales increased 12.2% in Asia, and 9.5% in Europe. This reflects the increased customer production and demand in the Asian region and improved demand in Europe especially for our Connector products. These increases were partially offset by lower demand in the Americas, where sales decreased 7.2% compared to the same period last year. In addition, the weakening of the U.S. dollar against certain foreign currencies positively impacted sales by $8.8 million, when compared to the same period last year.

Gross profit in the six months ended September 30, 2007 was 18.3% of sales or $143.5 million compared to a gross profit margin of 20.7% or $153.2 million in the six months ended September 30, 2006. This decrease is attributable to several factors including a 14.3% increase in sales of our resale products with generally lower margins when compared to our manufactured products, coupled with the increased cost of raw materials and utilities, and the negative impact of currency translation as the U.S. dollar weakened against certain foreign currencies during the twelve months ended September 30, 2007. The negative effect of currency translation of approximately $12.4 million, when compared to the same period last year, was primarily due to the currency movement on reported European costs of sales. In addition, we incurred restructuring charges of $2.2 million related to headcount reductions in Europe as we continue to realign production capabilities. These increases in costs were partially offset by the Company's continued efforts to increase efficiency of our production, to lower operating costs and to pursue increased capacity for the production of value added products. In addition, compared to the same period last year, depreciation expense was $3.0 million lower.

Selling, general and administrative expenses in the six months ended September 30, 2007 were $60.1 million, or 7.7% of net sales, compared to $57.8 million, or 7.8% of net sales, in the six months ended September 30, 2006. The overall increase in selling, general and administrative expenses was due to higher selling and other costs resulting principally from higher sales.

Income from operations declined $12.5 million to $83.0 million in the six months ended September 30, 2007 compared to $95.4 million in the six months ended September 30, 2006. This decrease is due to the factors discussed above including a $0.4 million charge related to the write off of in-process research and development cost related to the acquisition of ATC.

Other income increased $8.5 million to $24.2 million in the six months ended September 30, 2007 compared to $15.7 million in the same period last year. This increase is predominately due to higher interest income resulting from higher interest rates and higher cash and securities investment balances during the first half of the fiscal year.

The Company's effective tax rate for the six-month period ended September 30, 2007 was 28.5% compared to 32.5% for the same period last year. This lower effective tax rate is primarily due to higher profits in lower tax jurisdictions in the current period when compared to the same period last year. In addition, the effective tax rate was favorably impacted from the benefit of our foreign branch losses taken as deductions in prior years' U.S. tax returns no longer subject to U.S. income tax recapture regulations, partially offset by the negative impact on certain deferred tax balances resulting from the recent change in enacted tax rates in the United Kingdom and Germany.

Outlook

Near-Term:

The electronic component industry in which we operate is cyclical. Near-term results for us will depend on growth in the economy and resulting expansion in the telecommunications, information technology hardware, automotive, consumer electronics and other electronic markets. We expect a continued pricing environment with below normal annual price declines as we believe the industry demand for our products is in line with component manufacturing capacity. Additionally, we expect to continue to focus on cost reductions through process improvements and enhanced production capabilities in conjunction with our focus on the sales of value added electronic components to support today's advanced electronic devices. We believe that the addition of ATC will benefit our Advanced Component product group with offerings of additional components for our end-user's sophisticated electronics, and contribute to our sales growth through the second half of our fiscal year.

Long-Term:

We continue to be optimistic that opportunities for long-term growth and profitability will continue due to: (a) the continued increase as a long-term trend in worldwide demand for electronic devices which require our electronic components, (b) cost reductions and improvements in our production processes and (c) opportunities for growth in our Advanced Component and Connector product lines due to advances in component design and increased end-user demand for more sophisticated electronics.

Liquidity and Capital Resources

The Company's liquidity needs arise primarily from working capital requirements, dividend payments, capital expenditures and acquisitions. Historically, the Company has satisfied its liquidity requirements through funds from operations and investment income from cash and investments in securities. As of September 30, 2007, the Company had a current ratio of 6.1 to 1, $790.5 million of cash, cash equivalents and short-term and long-term investments in securities, $6.9 million in debt and $1.7 billion of stockholders' equity.

Net cash provided by operating activities was $85.3 million in the six months ended September 30, 2007 compared to $118.6 million of cash provided by operating activities in the six months ended September 30, 2006. The decrease in cash flow from operating activities compared to the same period last year was primarily a result of a reduction of income taxes payable and increases in inventories and accounts receivable.

Cash used in investing activities was $175.4 million during the six months ended September 30, 2007. We had cash outflows related to investing activities consisting of the business acquisition of ATC for $231.3 million, offset by cash acquired of $8.0 million.

As a result of the merger with ATC, the Company has obligations related to certain debt, customer, and supplier agreements. See Note 11, “Debt” of the Notes to Consolidated Financial Statements in this Form 10-Q for additional information.

Purchases of property and equipment were $27.0 million in the six month period ended September 30, 2007 compared to $22.0 million in the six month period ended September 30, 2006. Expenditures for both periods were primarily in connection with the enhancement of production capabilities in our passive component manufacturing operations, process improvements in passive component product lines and expansion of production of certain advanced component and connector product lines. The carrying value for our equipment reflects the use of the accelerated double-declining balance method to compute depreciation expense for machinery and equipment. We continue to add additional capacity for advanced passive component and connector products and expect to incur capital expenditures of approximately $55 million to $60 million in fiscal 2008. The actual amount of capital expenditures will depend upon the outlook for end-market demand.

The majority of the Company's funding is internally generated through operations and investment income from cash and investments in securities. Since March 31, 2007, there have been no significant changes in the Company's contractual obligations or commitments for the acquisition or construction of plant and equipment or future minimum lease commitments under noncancellable operating leases. The Company does not expect a material impact on liquidity as a result of the acquisition of ATC.

Based on the financial condition of the Company as of September 30, 2007, the Company believes that cash on hand and cash expected to be generated from operating activities and investment income from cash and investments in securities will be sufficient to satisfy the Company's anticipated financing needs for working capital, capital expenditures, environmental clean-up costs, research, development and engineering expenses, any acquisitions of businesses and any dividend payments or stock repurchases to be made during the year. While changes in customer demand have an impact on the Company's future cash requirements, changes in those requirements are mitigated by the Company's ability to adjust manufacturing capabilities to meet increases or decreases in customer demand. The Company does not anticipate any significant changes in its ability to generate or meet its liquidity needs in the long-term.

From time to time we enter into delivery contracts with selected suppliers for certain precious metals used in our production processes. The delivery contracts represent routine purchase orders for delivery within three months and payment is due upon receipt. As of September 30, 2007, we did not have any of these delivery contracts outstanding.

New Accounting Standards

In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires that we recognize in our financial statements, the impact of a tax position, if that position is "more likely than not" of being sustained on audit, based on the technical merits of the position. We adopted the provisions of FIN 48 effective April 1, 2007. See Note 1, "Critical Accounting Policies and Estimates", of the Company's Notes to Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q for additional information regarding the impact of our adoption of FIN 48.

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, provides guidance for measuring fair value and requires additional disclosures. This statement does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of SFAS 157 on the consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standard No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115" ("SFAS 159"), which permits entities to choose to measure many financial instruments and certain other items at fair value. In accordance with SFAS 159, entities will report unrealized gains and losses for which the tax value option has been elected in earnings at each subsequent reporting date. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Early adoption is permitted provided SFAS 157 provisions are applied. We are currently evaluating the impact of SFAS 159 on the consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's sales are denominated in various foreign currencies in addition to the U.S. dollar. Certain manufacturing and operating costs denominated in local currencies are incurred in Europe, Asia, Mexico and Central and South America. Additionally, purchases of resale products from Kyocera may be denominated in Yen. As a result, fluctuations in currency exchange rates affect our operating results and cash flow. In order to minimize the effect of movements in currency exchange rates, we periodically enter into forward exchange contracts to hedge external and intercompany foreign currency transactions. We do not hold or issue derivative financial instruments for speculative purposes. Accordingly, we have hedging commitments to cover our exchange risk on purchases, operating expenses and sales. Currency exchange gains and losses on foreign currency hedge contracts have been immaterial during the periods presented.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, as the Company's are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of the end of the period covered in this report, the Company carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports the Company files or submits under the Exchange Act are (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to the Company's management including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

In addition, there were no changes in the Company's internal control over financial reporting during the Company's second quarter of fiscal 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 6, "Commitments and Contingencies", in our Notes to Consolidated Financial Statements in Part I, Item 1 to this Form 10-Q for a discussion of our involvement as a PRP at certain environmental remediation sites.

In September 2007, we received notice from Horry Land Company, the owner of property adjacent to the Company's South Carolina factory, that Horry Land Company's property value had been negatively impacted by alleged migration of certain pollutants from the Company's property. Horry Land Company is seeking to recover $5.4 million in compensatory damages, exclusive of costs that have not been determined. We investigated the allegations and determined that the demanded payment was not justified and that issues of liability, among other issues, exist under environmental laws.

Accordingly, on October 2, 2007, we filed a complaint against Horry Land Company in the United States District Court for the District of South Carolina under the Comprehensive Environmental Response, Compensation, and Liability Act and the Federal Declaratory Judgment Act, seeking a declaration that the Company is not liable for the property damages claimed by Horry Land Company and for a determination and allocation of past and future environmental response costs.

On October 5, 2007, Horry Land Company filed a complaint against the Company in the Court of Common Pleas of Horry County, South Carolina seeking recovery for alleged damage to Horry Land Company's property as well as other unquantified damages.

We intend to defend vigorously the action by Horry Land Company in state court and to pursue vigorously the Company's action in Federal Court. We are conducting an environmental assessment on and in the vicinity of the factory as has been requested by the South Carolina Department of Health and Environmental Control.

At this stage of the environmental assessment, we have not been able to determine what measures may have to be undertaken or the likely costs of any such measures. Further, at this early stage of the litigation, there has not been a determination as to responsible parties or the amount, if any, of damages. Accordingly, the potential impact of the matter on the Company's financial position, results of operations, and cash flows cannot be determined at this time.

RISK FACTORS

I T E M
1A.

Please refer to Part I, Item 1A., Risk Factors, in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2007 for information regarding factors that could affect the Company's results of operations, financial condition and liquidity. There have been no changes to our risk factors during the first half of fiscal 2008.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table shows the Company's purchases of its common stock during the quarter.

Period	Total Number of Shares Purchased (1)(2)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)(2)	Maximum Number of Shares that may yet be Purchased Under the Plans or Programs (1)(2)
7/1/07- 7/31/07	30,000	$ 16.36	30,000	5,157,400
8/1/07- 8/31/07	272,000	15.17	272,000	4,885,400
9/1/07- 9/30/07	125,000	15.33	125,000	4,760,400
Total	427,000	$ 15.30	427,000	4,760,400

(1) On April 19, 2001, the Board of Directors of the Company authorized the repurchase of up to 5,000,000 shares of our common stock from time to time in the open market. The repurchased shares are held as treasury stock and are available for general corporate purposes.

(2) On October 19, 2005, the Board of Directors of the Company authorized the repurchase of an additional 5,000,000 shares of our common stock from time to time in the open market. The repurchased shares are held as treasury stock and are available for general corporate purposes.

ITEM 6. EXHIBITS

31.1	Certification of John S. Gilbertson, Chief Executive Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 8, 2007.
31.2	Certification of Kurt P. Cummings, Chief Financial Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 8, 2007.
32.1	Certification Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - John S. Gilbertson and Kurt P. Cummings

Signature

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.

Date: November 8, 2007

AVX Corporation

By: /s/ Kurt P. Cummings

Kurt P. Cummings
Vice President, Chief Financial Officer, Treasurer and Secretary