

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2001-02-02** | Period of Report: **2000-12-31**
SEC Accession No. **0000859163-01-500005**

([HTML Version](#) on secdatabase.com)

FILER

AVX CORP

CIK: **859163** | IRS No.: **330379007** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-07201** | Film No.: **1524068**
SIC: **3670** Electronic components & accessories

Mailing Address

*801 17TH AVE SOUTH
PO BOX 867
MYRTLE BEACH SC 29577*

Business Address

*801 17TH AVE S
MYRTLE BEACH SC 29577
8034499411*

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 December 31, 2000.

==

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

AVX CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

33-0379007

(State or other jurisdiction

(IRS Employer ID No.)

of incorporation or organization)

801 17th Avenue South, Myrtle Beach, South Carolina 29577

(Address of principal executive offices)

Telephone: (843) 448-9411

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 ___

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

<u>Class</u>	<u>Outstanding at January 31, 2001</u>
Common Stock, par value \$0.01 per share	174,669,414

AVX CORPORATION

INDEX

Page Number

PART Financial
I: Information:

ITEM Financial
1. Statements:

Consolidated
Balance
Sheets as of
March 31, 2
2000 and
December 31,
2000

Consolidated
Statements of
Income for 3
the three
months ended

December 31,
1999 and
2000 and for
the nine
months ended
December 31,
1999 and
2000

Consolidated
Statements of
Cash Flows
for the nine
months ended 4
December 31,
1999 and
2000

Notes to
Consolidated 5-8
Financial
Statements

ITEM
2. Management's
Discussion
and Analysis
of Results of 9-13
Operations
and Financial
Condition

ITEM
3. Quantitative
and
Qualitative 14
Disclosures
About Market
Risk

PART
II: Other
Information:

Signatures

Exhibits

PAGE 1

AVX CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

	March 31, 2000	December 31, 2000
Assets	-----	-----
Current assets:		(unaudited)
Cash and cash equivalents	\$ 175,654	\$ 399,761
Accounts receivable, net	249,224	367,544
Inventories	356,406	423,382
Deferred income taxes	21,406	21,243

Other receivables-affiliates	5,655	9,522
Prepaid and other	38,471	45,853
	-----	-----
Total current assets	846,816	1,267,305
Property and equipment:		
Land	12,801	14,809
Buildings and improvements	173,370	182,276
Machinery and equipment	748,792	887,923
Construction in progress	77,224	63,364
	-----	-----
	1,012,187	1,148,372
Accumulated depreciation	(639,380)	(699,297)
	-----	-----
	372,807	449,075
Goodwill, net	72,495	74,885
Other assets	16,213	11,442
	-----	-----
TOTAL ASSETS	\$ 1,308,331	\$ 1,802,707
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term bank debt	\$ 12,116	\$ 15,777
Current maturities of long-term debt	-	-
Accounts payable:		
Trade	83,921	89,122
Affiliates	65,096	74,404

Income taxes payable	37,815	83,318
Accrued payroll and benefits	44,855	51,092
Accrued expenses	38,884	45,104
	-----	-----
Total current liabilities	282,687	358,817
Long-term debt	18,174	15,795
Deferred income taxes	4,894	7,001
Other liabilities	20,555	19,662
	-----	-----
TOTAL LIABILITIES	326,310	401,275
	-----	-----
Contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, par value \$0.01 per share:		
Authorized, 20,000 shares; None issued or outstanding	-	-
Common stock, par value \$0.01 per share:		
Authorized, 300,000 shares; issued and outstanding	1,764	1,764
176,368 for March 2000 and December 2000		
Additional paid-in capital	335,481	344,424
Retained earnings	675,234	1,099,576
Accumulated other comprehensive income (loss)	(14,778)	(20,697)
Common stock in treasury, at cost: 1,875 (March 2000)	(15,680)	(23,635)
and 1,711 (December 2000) shares		
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	982,021	1,401,432
	-----	-----

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$ 1,308,331

\$ 1,802,707

=====

=====

See accompanying notes to consolidated financial statements.

PAGE 2

AVX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per share data)

	Three Months ended December 31,		Nine Months ended December 31,	
	1999	2000	1999	2000
	-----	-----	-----	-----
Net sales	\$ 416,412	\$ 709,509	\$ 1,131,135	\$ 2,007,243
Cost of sales	328,620	431,049	922,063	1,248,806
	-----	-----	-----	-----
Gross profit	87,792	278,460	209,072	758,437
Selling, general and administrative expenses	30,064	38,880	87,482	111,472
	-----	-----	-----	-----

Profit from operations	57,728	239,580	121,590	646,965
Other income (expense):				
Interest income	2,747	4,857	6,450	11,152
Interest expense	(546)	(579)	(1,453)	(1,778)
Other, net	2,627	608	1,227	1,297
	-----	-----	-----	-----
Income before income taxes	62,556	244,466	127,814	657,636
Provision for income taxes	20,049	78,382	41,754	214,945
	-----	-----	-----	-----
Net income	\$ 42,507	\$ 166,084	\$ 86,060	\$ 442,691
	=====	=====	=====	=====
Income per share:				
Basic	\$ 0.24	\$ 0.95	\$ 0.50	\$ 2.53
Diluted	\$ 0.24	\$ 0.94	\$ 0.49	\$ 2.51
	-----	-----	-----	-----
Dividends declared	\$ 0.033	\$ 0.035	\$ 0.098	\$ 0.105
	-----	-----	-----	-----

Weighted average number of common
shares outstanding:

Basic	173,888.4	174,656.1	173,110.8	174,775.3
Diluted	175,604.2	175,965.6	174,321.9	176,473.8

See accompanying notes to consolidated financial statements.

PAGE 3

AVX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(dollars in thousands)

	Nine Months Ended December 31,	
	1999	2000
	-----	-----
Operating Activities:		
Net income	\$ 86,060	\$ 442,691
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	70,765	98,698
Changes in operating assets and liabilities, net of Effects from business acquired:		
Accounts receivable	(41,374)	(132,296)
Inventories	(30,331)	(71,842)
Accounts payable and accrued expenses	65,435	32,035

Income taxes payable	25,811	53,525
Other assets and liabilities	(8,348)	8,460
	-----	-----
Net cash from operating activities	168,018	431,271
	-----	-----
Investing Activities:		
Purchases of property and equipment	(109,279)	(181,020)
Business acquired, net of cash received	-	(1,870)
Other	(2,668)	(309)
	-----	-----
Net cash used in investing activities	(111,947)	(183,199)
	-----	-----
Financing Activities:		
Repayment of debt	(9,349)	(3,849)
Proceeds from issuance of debt	11,861	5,920
Dividends paid	(16,861)	(18,349)
Purchase of treasury stock	-	(14,589)
Exercise of stock options	19,920	7,514
	-----	-----
Net cash from (used in) financing activities	5,571	(23,353)
	-----	-----

Effect of exchange rate changes on cash	(357)	(612)
	-----	-----
Increase (decrease) in cash and cash equivalents	61,285	224,107
Cash and cash equivalents at beginning of period	173,106	175,654
	-----	-----
Cash and cash equivalents at end of period	\$ 234,391	\$ 399,761
	=====	=====

See accompanying notes to consolidated financial statements.

PAGE 4

AVX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

(in thousands, except share data)

1. Basis of presentation:

The consolidated financial statements of AVX Corporation and subsidiaries (the "Company" or "AVX") include the accounts of the Company and its subsidiaries. All significant intercompany transactions and accounts have been eliminated. In the opinion of management, the accompanying unaudited financial statements reflect all adjustments (consisting of normal recurring accruals) that are necessary to a fair presentation of the results for the interim periods shown. These financial statements should be read in conjunction with the Company's audited financial statements for the fiscal year ended March 31, 2000.

On April 20, 2000, the Board of Directors approved a 2-for-1 stock split of our common stock effected in the form of a 100% stock dividend. The additional common stock was distributed on June 1, 2000 to holders of record on May 15, 2000. All references in this report to the number of shares, per share amounts, and market prices of the Company's common stock have been restated to reflect the stock split and the resulting increased number of shares outstanding.

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. Accounts Receivable:

Accounts receivable consisted of:	March 31,	December 31,
	2000	2000
	-----	-----
Trade	\$ 279,084	\$ 402,444
Less: allowances for doubtful accounts, sales returns,		
distributor adjustments and discounts	(29,860)	(34,900)
	-----	-----
	\$ 249,224	\$ 367,544
	=====	=====

3. Inventories:

Inventories consisted of:

	March 31,	December 31,
--	-----------	--------------

	2000	2000
	-----	-----
Finished goods	\$ 110,180	\$ 133,098
Work in process	119,640	139,539
Raw materials and supplies	126,586	150,745
	-----	-----
	\$ 356,406	\$ 423,382
	=====	=====

PAGE 5

AVX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED - (continued)

4. Debt:

As of December 31, 2000, \$2.4 million of long-term deutsche mark denominated debt and \$2.1 million of Euro denominated debt originally scheduled to mature on January 1, 2001 has been excluded from current maturities of long-term debt based on the Company's intent and ability to extend the facilities. On January 19, 2001, this debt was extended to mature on April 3, 2002.

5. Environmental Matters and Contingencies:

The Company has been named as a potentially responsible party in state and federal administrative proceedings seeking contribution for costs associated with the correction and remediation of environmental conditions at various

waste disposal sites. If 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 will establish reserves or adjust its reserves for its projected share of these costs. Management believes that it has adequate reserves with respect to these matters. Actual costs may vary from these estimated reserves, but such costs are not expected to have a material adverse effect on the Company's financial condition or results of operations.

6. Comprehensive Income:

Comprehensive income represents total non-shareowner changes in equity including all changes in equity during a period except those resulting from investments by and distributions to shareowners. The specific components include: net income, deferred gains and losses resulting from foreign currency translation and minimum pension liability adjustments.

Comprehensive income for the three and nine month periods ended December 31, 1999 and 2000, includes the following components:

	Three Months		Nine Months	
	1999	2000	1999	2000
	-----	-----	-----	-----
Net income	\$42,507	\$166,084	\$86,060	\$442,691
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	(8,066)	12,450	(4,582)	(5,919)
	-----	-----	-----	-----
Comprehensive income	\$34,441	\$178,534	\$81,478	\$436,772
	=====	=====	=====	=====

The accumulated balance of other comprehensive income (loss) (all of which relate to foreign currency translation adjustments) as of December 31, 1999 and 2000 is as follows:

AVX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED - (continued)

	Three Months		Nine Months	
	1999	2000	1999	2000
	-----	-----	-----	-----
Balance at beginning of period	\$ (1,305)	\$ (33,147)	\$ (4,789)	\$ (14,778)
Translation adjustment	(8,066)	12,450	(4,582)	(5,919)
	-----	-----	-----	-----
Balance at end of period	\$ (9,371)	\$ (20,697)	\$ (9,371)	\$ (20,697)
	=====	=====	=====	=====

7. 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 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 outstanding for the three and nine month periods ended December 31, 1999 and 2000:

	Three Months		Nine Months	
	1999	2000	1999	2000
	-----	-----	-----	-----

Basic weighted average shares outstanding	173,888,404	174,656,147	173,110,766	174,775,345
---	-------------	-------------	-------------	-------------

Diluted weighted average shares and potential common stock equivalents outstanding	175,604,244	175,965,602	174,321,896	176,473,837
--	-------------	-------------	-------------	-------------

Common stock equivalents, not included in the computation of diluted earnings per share because the option's exercise price was greater than the average market price of the common shares for the respective period, were as follows:

	December 31,	
	1999	2000
	-----	-----
Quarter ended	-	252,835
Nine months ended	-	41,587

8. Segment information:

The Company has three reportable operating segments: Passive Components, Connectors and Research and Development. The Company is organized, exclusive of research and development, on the basis of products being separated into six units. Five of the units which manufacture or

PAGE 7

AVX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED - (continued)

distribute ceramic, tantalum, film and power capacitors, ferrites and other passive devices have been aggregated into the segment "Passive Components".

The Company evaluates performance of its segments based upon sales and operating profit. There are no intersegment revenues. The tables below present information about reported segments for the three and nine month periods ended December 31, 1999 and 2000:

	Three Months		Nine Months	
	1999	2000	1999	2000
	-----	-----	-----	-----
Net sales:				
Passive components	\$382,777	\$662,231	\$1,034,741	\$1,872,106
Connectors	33,635	47,278	96,394	135,137

Total	\$416,412	\$709,509	\$1,131,135	\$2,007,243

	Three Months		Nine Months	
	1999	2000	1999	2000
	-----	-----	-----	-----
Operating profit:				
Passive components	\$62,272	\$247,063	\$136,518	\$665,502
Connectors	7,394	8,344	19,467	25,512
Research & development	(4,523)	(6,928)	(16,615)	(19,616)

Corporate administration	(7,415)	(8,899)	(17,780)	(24,433)

Total	\$57,728	\$239,580	\$121,590	\$646,965
=====				

9. Treasury Stock:

In January 1998, the Company's Board of Directors approved a stock repurchase program whereby up to 4.4 million shares of common stock may be purchased from time to time at the discretion of management. As of December 31, 2000, the Company had in treasury 1,711,395 common shares at a cost of \$23.6 million. The repurchased shares are held as treasury stock and are available for general corporate purposes.

10. Subsequent Event:

On January 26, 2001, the Company declared a \$0.035 dividend per share of common stock with respect to the quarter ended December 31, 2000, payable on February 13, 2001.

PAGE 8

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Outlook

The Company has had nine consecutive quarters of sales and net income growth due to the increasing demand for passive components. During this period, demand has outpaced capacity and led to higher average selling prices. The increasing demand for higher performance components and miniaturization has also led to opportunities for our advanced products.

The Company uses palladium and tantalum metals in the manufacture of certain capacitors. The palladium market has experienced dramatic price increases over the past several years. The Company continues to offset the rising cost of palladium, currently a raw material used in the manufacture of certain multi-layer ceramic capacitors, through the conversion to the use of base metals. We believe that our programs are progressing as planned and will significantly reduce, but not eliminate, the reliance on palladium in the future. Tantalum powder is a principle material used in the

manufacture of solid tantalum capacitors. The market for tantalum powder, which has historically been stable, is showing signs of volatility. As a result of the growth in the electronics component business, our tantalum suppliers have indicated that, although tantalum powder has, up to this point been readily available, there may be difficulty obtaining the quantities needed to continue to significantly increase tantalum capacitor production in the future, and that the cost of the tantalum powder will increase. The Company anticipates that some, but not all, of these increased costs will be passed on to our customers in the form of higher prices for our components. In addition, the Company is redesigning components to use less tantalum and is developing components that use alternative materials.

Recently, electronic distributors, contract electronic manufacturers and certain original equipment manufactures have indicated that they have experienced a slow down in the rate of growth for their products and have excess passive component inventory. We believe the inventory situation is a temporary one, but expect to see some negative impact in our orders and sales in the coming quarter. We are also beginning to experience some pricing pressures on certain commodity related products.

Given the above factors, the Company expects the sequential rate of growth to decline in the near future. However, we believe that during the next fiscal year we will continue to experience sales growth and strong earnings due to the following: (a) the continued increase in worldwide demand for electronic components, (b) the decrease in the amount of precious metals used in the manufacture of multilayer ceramic capacitors, (c) cost reductions and improvements in our production processes and (d) opportunities for growth in our advanced product lines due to advances in component design.

PAGE 9

Results of Operations	Three months ended December 31,	
	<u>1999</u>	<u>2000</u>
Net sales	100%	100%
Gross profit	21.1	39.2
Selling, general and administrative expenses	7.2	5.5

Income		
before	15.0	34.5
income taxes		

Net income	10.2	23.4
------------	------	------

Three Months Ended December 31, 2000 Compared to Three Months Ended December 31, 1999

Net sales in the three months ended December 31, 2000 increased 70.4% to \$709.5 million from \$416.4 million in the three months ended December 31, 1999. The increase in revenue was attributable to the robust demand across all markets, particularly the telecommunications and information technology hardware industries. A combination of higher selling prices, units sold and richer product mix contributed to the increased sales. Passive component sales during the quarter increased 73.0% to \$662.2 million. All product groups except leaded products had significant sales growth. Leaded sales, which represented a small portion of the total passive component sales, declined 8% compared to the same period last year as a result of softening demand and the continuing shift in the electronic component industry to the use of surface mount capacitors. Connector sales during the quarter increased 40.6% to \$47.3 million as a result of the robust demand in all markets.

Gross profit in the three months ended December 31, 2000 increased to \$278.5 million (39.2% of net sales) from \$87.8 million (21.1% of net sales) in the three months ended December 31, 1999. The favorable pricing environment, a mix of higher margin product and cost reductions have contributed to the improvement in gross profit in dollar terms and as a percentage of sales. Continued automation of the manufacturing processes and higher volumes of throughput in the factories have resulted in lower manufacturing costs for products sold. Gross profit was negatively impacted by increases in the cost of palladium, currently a raw material used in the manufacture of certain multi-layer ceramic capacitors. The price we paid for palladium purchased during the three months ended December 31, 2000 exceeded the price paid for an equivalent amount of palladium purchased during the three months ended December 31, 1999 by approximately \$18 million. The Company continues its efforts to reduce the amount of the precious metal used in such parts and substitute base metals, such as nickel, in the production of multi-layer ceramic capacitors.

Selling, general and administrative expenses in the three months ended December 31, 2000 were \$38.9 million (5.5% of net sales) compared with \$30.1 million (7.2% of net sales) in the three months ended December 31, 1999. The increase in selling, general and administrative expenses is due to additional research and development expenses and commissions to independent

PAGE 10

manufacturers' representatives. The decline in selling, general and administrative expenses as a percentage of sales is a result of higher sales.

As a result of the above factors, profit from operations in the three months ended December 31, 2000 increased to \$239.6 million from \$57.7 million in the three months ended December 31, 1999.

The quarter ended December 31, 1999 includes the benefit of \$3.0 million of other income as a result of a settlement for defective materials from a supplier. The expense related to the use of such materials was recorded in prior years.

For the reasons set forth above and higher interest income on invested cash, net income in the three months ended December 31, 2000 was \$166.1 million (23.4% of net sales) compared to \$42.5 million (10.2% of net sales) in the three months ended December 31, 1999.

Results of Operations	Nine months ended December 31,	
	<u>1999</u>	<u>2000</u>
Net sales	100%	100%
Gross profit	18.5	37.8
Selling, general and administrative expenses	7.7	5.6
Income before income taxes	11.3	32.8
Net income	7.6	22.1

Nine Months Ended December 31, 2000 Compared to Nine Months Ended December 31, 1999

Net sales in the nine months ended December 31, 2000 increased 77.5% to \$2,007.2 million from \$1,131.1 million in the nine months ended December 31, 1999. The increase in revenue was attributable to the robust demand across all markets, particularly the telecommunications and information technology hardware industries. A combination of higher selling prices, units sold and richer product mix contributed to the increased sales. Passive component sales during the nine months ended December 31, 2000 increased 80.9% to \$1,872.1 million. Connector sales during the nine months ended December 31, 2000 increased 40.2% to \$135.1 as result of the robust demand in all markets.

Gross profit in the nine months ended December 31, 2000 increased to \$758.4 million (37.8% of net sales) from \$209.1 million (18.5% of net sales) in the nine months ended December 31, 1999. The favorable pricing environment, a mix of higher margin product and cost reductions have contributed to the improvement in gross profit in dollar terms and as a percentage of sales. Continued automation of the manufacturing processes and higher volumes of throughput

in the factories have resulted in lower manufacturing costs for products sold. Gross profit was negatively impacted by increases in the cost of palladium, currently a raw material used in the manufacture of

certain multi-layer ceramic capacitors. The price we paid for palladium purchased during the nine months ended December 31, 2000 exceeded the price paid for an equivalent amount of palladium purchased during the nine months ended December 31, 1999 by approximately \$48 million. The Company continues its efforts to reduce the amount of the precious metal used in such parts and substitute base metals, such as nickel, in the production of multi-layer ceramic capacitors.

Selling, general and administrative expenses in the nine months ended December 31, 2000 were \$111.5 million (5.6% of net sales) compared with \$87.5 million (7.7% of net sales) in the nine months ended December 31, 1999. The increase in selling, general and administrative expenses is due to additional research and development expenses and commissions to independent manufacturers' representatives. The decline in selling, general and administrative expenses as a percentage of sales is a result of higher sales.

As a result of the above factors, profit from operations in the nine months ended December 31, 2000 increased to \$647.0 million from \$121.6 million in the nine months ended December 31, 1999.

The nine months ended December 31, 1999 includes the benefit of \$3.0 million of other income as a result of a settlement for defective materials from a supplier. The expense related to the use of such materials was recorded in prior years.

For the reasons set forth above, higher interest income on invested cash and the benefit of foreign currency exchange gains, net income in the nine months ended December 31, 2000 was \$442.7 million (22.1% of net sales) compared to \$86.1 million (7.6% of net sales) in the nine months ended December 31, 1999.

Liquidity and Capital Resources

The Company's liquidity needs arise primarily from working capital requirements, dividends, capital expenditures and acquisitions. Historically, the Company has satisfied its liquidity requirements through internally generated funds. As of December 31, 2000, the Company had a current ratio of 3.53 to 1, \$399.8 million of cash and cash equivalents, \$1,401.4 million of stockholders' equity and an insignificant amount of long-term debt.

Net cash from operating activities was \$431.3 million in the nine months ended December 31, 2000 compared to \$168.0 million in the nine months ended December 31, 1999.

Purchases of property and equipment were \$181.0 million in the nine months ended December 31, 2000 and \$109.3 million in the nine months ended December 31, 1999. Expenditures for both periods were primarily for expanding production capabilities of the passive component and connector product lines in North America, Europe and Asia.

Although the majority of the Company's funding is internally generated, certain European subsidiaries of the Company have from time to time borrowed German deutsche marks, French francs and Euro loans under various bank agreements.

Pursuant to a previously authorized stock repurchase program, we were authorized to purchase up to 4.4 million shares of our common stock. We purchased 548,500 shares at a cost of \$14.6 million during the nine months ended December 31, 2000, which completes the program. The repurchased shares are held as treasury stock and have been used to satisfy stock option exercises.

Based on the financial condition of the Company as of December 31, 2000, the Company believes that cash on hand, and cash expected to be generated from operating activities, will be sufficient to satisfy the Company's anticipated financing needs for working capital, capital expenditures, research, development and engineering costs, and any dividend payments to be paid in the next year. The Company does not anticipate any significant changes in its ability to generate or meet its liquidity needs in the long-term.

ITEM 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Except as indicated below, the Company's market risk exposure at December 31, 2000 is consistent with the types of market risk and amount of exposures presented in the Annual Report on Form 10-K for the year ended March 31, 2000.

Precious Metals

We are at risk to fluctuations in prices for commodities used to manufacture our products, primarily palladium and tantalum.

Palladium, a precious metal used in the manufacture of a portion of our multi-layer ceramic capacitors, is primarily purchased from various companies in the form of palladium sponge and ingot. The main areas of mining of palladium are in Russia and South Africa. Palladium is considered a commodity and is subject to price volatility and has fluctuated in a range of approximately \$340 to \$1,070 per troy ounce during the past year. We have managed, through the use of short-term purchase agreements and strategic spot buying, to purchase palladium at a cost below the average market cost. We are addressing the volatility in the price of palladium by (i) adjusting the manufacturing process for the parts made with palladium to reduce the amount of the precious metal used in each part, and (ii) substituting base metals, such as nickel, in the production of multi-layer ceramic capacitors. Because of robust demand for ceramic parts, both palladium and nickel based production capacity is currently needed to satisfy our customers' needs.

Tantalum powder is a principle material used in the manufacture of solid tantalum capacitors. This product is purchased through suppliers from various parts of the world at prices that are subject to negotiation under varying

length contracts. We are a major consumer of the world's annual tantalum production. Although we historically have had no problem procuring tantalum powder, the increased demand for tantalum products and the limited number of tantalum powder suppliers may lead to availability constraints, which would lead to higher prices.

Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995

This report may contain "forward-looking" information within the meaning of the federal securities laws. The forward-looking information may include, among other information, statements concerning the Company's outlook for fiscal 2001, overall volume and pricing trends, cost reduction strategies and their anticipated results, and 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. The forward-looking information and statements in this report are subject to risks and uncertainties, including those discussed in the Company's annual report on Form 10-K for year ended March 31, 2000, that could cause actual results to differ materially from those expressed in or implied by the information or statements.

PAGE 14

Part II: Other Information

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibit 10.11 AVX Corporation 1995 Stock Option Plan as Amended Through October 24, 2000

(b) Reports on Form 8-K.

None.

PAGE 15

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.

Date: February 2, 2001

AVX Corporation

by: /s/ Kurt P. Cummings

Kurt P. Cummings

Vice President,

Chief Financial Officer,

Treasurer, and Secretary

PAGE 16

AVX CORPORATION
1995 STOCK OPTION PLAN
AS AMENDED THROUGH OCTOBER 24, 2000

1. Adoption and Purpose. The Company hereby adopts this Plan providing for the granting of stock options to selected employees of the Company and its Subsidiaries. The general purpose of the Plan is to promote the interests of the Company and its Subsidiaries by providing to their employees incentives to continue and increase their efforts with respect to, and remain in the employ of, the Company and its Subsidiaries.

Options granted under the Plan may be "incentive stock options" within the meaning of Section 422 of the Code or "nonqualified stock options", and the specific type of option granted shall be designated in an applicable stock option agreement.

2. Administration. The Plan will be administered by the Equity Compensation Committee (the "Committee"), which shall be comprised of two or more persons, each of whom shall qualify as (a) an "outside director" within the meaning of Section 162(m) of the Code and (b) a "Non-Employee Director" within the meaning of Rule 16b-3(b)(3)(i) promulgated under the Exchange Act.

Subject to the express provisions of the Plan, the Committee shall have plenary authority, in its discretion, to administer the Plan and to exercise all powers and authority either specifically granted to it under the Plan or necessary and advisable in the administration of the Plan, including without limitation the authority to interpret the Plan; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms of all options granted under the Plan (which need not be identical), the purchase price of the shares covered by each option, the individuals to whom and the time or times at which options shall be granted, whether an option shall be an incentive stock option or a nonqualified stock option, when an option can be exercised and whether in whole or in installments, and the number of shares covered by each option; and to make all other necessary or advisable determinations with respect to the Plan. The determination of the Committee on such matters shall be conclusive.

3. Participants. The Committee shall from time to time select the officers and key employees of the Company and its Subsidiaries to whom options are to be granted, and who will, upon such grant, become participants in the Plan.

4. Shares Subject to Plan. The Committee may not grant options under the Plan for more than 9,300,000 shares of Common Stock, subject to any adjustment as provided in Section 13 hereof. Shares to be optioned and sold may be made available from either authorized but unissued Common Stock or Common Stock held by the Company in its treasury. Shares that by reason of the expiration of an option or otherwise are no longer subject to purchase pursuant to an option granted under the Plan may be reoffered under the Plan.

5. Limitation on Number of Options. The Committee may not grant incentive stock options under the Plan to any employee unless either (i) the aggregate Fair Market Value (determined as of the time an incentive stock option is granted) of the stock with respect to which incentive stock options granted to an employee under the Plan (including all options qualifying as incentive stock options pursuant to Section 422 of the Code granted to such employee under any other plan of the Company or its Parent or Subsidiaries) are exercisable for the first time by such employee during any calendar year does not exceed \$100,000 or (ii) such option is issued in exchange for a previously granted incentive stock option in a substitution which is not treated as a modification of such option pursuant to Section 424 of the Code.

No person may be granted options under the Plan in any five-year period representing an aggregate of more than 1,000,000 shares of Common Stock. The limitation established by the preceding sentence shall be subject to adjustment as provided in Section 13 hereof.

6. Grant of Options. All options under the Plan shall be granted by the Committee. The Committee shall determine the number of shares of Common Stock to be offered from time to time by grant of options to employees who are participants of the Plan (it being understood that more than one option may be granted to the same employee). The grant of an option to an employee shall not be deemed either to entitle the employee to, or to disqualify the employee from, participation in any other grant of options under the Plan.

The grant of options shall be evidenced by stock option agreements containing such terms and provisions as are approved by the Committee, but not inconsistent with the Plan, including provisions that may be necessary to ensure, in the case of an incentive stock option, that the option qualifies as an incentive stock option under the Code. The Company shall execute stock option agreements upon instructions from the Committee.

7. Option Price. Subject to the provisions set forth in this Section 7 relating to incentive stock options, the purchase price per share of the Common Stock for any option granted under the Plan shall be determined by the Committee, but shall not be less than (i) 100% of the Fair Market Value per share of the Common Stock on the date the option is granted, or (ii) with respect to an option issued in exchange for a previously granted option in a substitution which is not treated as a modification of such option (or would be so treated if such option was an incentive stock option) pursuant to Section 424 of the Code, the appropriately adjusted exercise price determined in accordance with Section 424 and the regulations issued thereunder. No incentive stock option shall be granted to an employee who, at the time such option is granted, is a Ten Percent Shareholder unless at the time such incentive stock option is granted the option price per share is at least 110% of the Fair Market Value per share of the Common Stock subject to the incentive stock option.

8. Option Period. The option period will begin on the date the option is granted, which will be the date the Committee authorizes the option unless the Committee specifies a later date. No option may terminate later than the day prior to the tenth anniversary of the date the option is granted; provided, however, that an incentive stock option granted to an employee who, at the time of such grant, is a Ten Percent Shareholder shall not be exercisable after the expiration of five years after the date of grant. The Committee may provide for the exercise of options in installments and upon such terms, conditions and restrictions as it may determine. The Committee may provide in a stock option agreement for termination of an option in the case of termination of employment or any other reason.

9. Exercisability of Options. The Committee may in its discretion prescribe in the stock option agreement the installments, if any, in which an option granted under the Plan shall become exercisable; provided, however, that no option shall be exercisable (x) until the six-month anniversary of the date of its grant and (y) unless the holder thereof is then an employee of the Company or a Subsidiary, except in each case as otherwise provided in this Plan (including Section 12) or as the Committee otherwise determines.

Except as provided in the applicable option agreement, if the participant voluntarily terminates his employment or his employment with the Company or Subsidiary is terminated for cause (as defined below), neither the Company, the Parent nor any Subsidiary shall have any further obligation to the participant hereunder, and the options (whether or not vested) shall immediately terminate in full. In the event a participant's employment is terminated by the Company for any reason other than for cause (defined as the commission of an act of dishonesty, gross incompetency or intentional or willful misconduct, which act occurs in the course of participant's performance of his duties as an employee), options may be exercised, to the extent of the shares with respect to which the option could have been exercised by the participant as of his date of termination of employment, by the participant in accordance with its terms but in no event beyond the earlier of (x) 90 days after the date of termination or (y) the scheduled expiration of such option.

10. Payment; Method of Exercise. Payment shall be made in cash or, unless otherwise prohibited in the applicable stock option agreement, in shares of Common Stock already owned by the holder of the option or partly in cash and partly in such shares. No shares may be issued until full payment of the purchase price therefore has been made, and a participant will have none of the rights of a stockholder until shares are issued to him.

An option may be exercised by written notice to the Company. Such notice shall state that the holder of the option elects to exercise the option, the number of shares in respect of which it is being exercised and the manner of payment for such shares and shall either (i) be accompanied by payment of the full purchase price of such shares or (ii) fix a date (not more than 10 business days from the date of exercise) for the payment of the full purchase price of such shares. Cash payments shall be made by cash or check payable to the order of the Company. Common Stock payments (valued at Fair Market Value on the date of exercise) shall be made by delivery of stock certificates in negotiable form. If certificates representing Common Stock are used to pay all or part of the purchase price of an option, a separate certificate shall be delivered by the Company representing the same number of shares as each certificate so used, and an additional certificate shall be delivered representing the additional shares to which the holder of the option is entitled as a result of the exercise of the option.

11. Withholding Taxes. If the Committee shall so require, as a condition of exercise, each participant shall agree that (a) no later than the date of exercise of any option, the participant will pay to the Company or make arrangements satisfactory to the Committee regarding payment of any Federal, state or local taxes of any kind required by law to be withheld upon the exercise of such option (any such tax, a "Withholding Tax"); and (b) the Company shall, to the extent permitted or required by law, have the right to deduct from any payment of any kind otherwise due to the participant, any such Withholding Tax.

12. Rights in the Event of Death, Retirement or Incapacity.

Options granted on or before April 30, 2000

. If a participant's employment is terminated due to death, Retirement or Incapacity prior to termination of his or her right to exercise an option in accordance with the provisions of his or her stock option agreement without having fully exercised the option, then (a) the Committee in its discretion may cause the option to become fully vested and (b) such option may be exercised by the participant (or in the event of the participant's death, by his estate or by the person who acquired the right to exercise the option by bequest or inheritance), to the extent of the shares with respect to which the option could have been exercised by the participant as of the date of his or her death, Retirement or Incapacity but also taking into account any acceleration of vesting pursuant to clause (a) above, provided that the option is exercised prior to the earlier of (x) one year after the date of such death, Retirement or Incapacity and (y) the date of its original expiration. In the event of the death of a participant following his or her termination of employment during the period in which his or her option remains exercisable, such option may be exercised to, the extent the option could have been exercised by the decedent, by the participant's estate or by the person who acquired the right to exercise the option by bequest or inheritance at any time within one year after the date of death but in no event beyond the original expiration date of the option.

Options granted on or after May 1, 2000

. If a participant's employment is terminated due to death, Retirement or Incapacity prior to the termination of his or her right to exercise an option in accordance with the provisions of his or her stock option agreement without having fully exercised the option, then the total number of shares of Common Stock then underlying the option shall thereupon become exercisable. Such exercisable options may only be exercised prior to the date of their original expiration. In the event of the death of a participant, including death following his or her termination of employment during the period in which his or her option remains exercisable, then notwithstanding the foregoing, such option may be exercised to the extent the option could have been exercised by the decedent, by the participant's estate or by the

person who acquired the right to exercise the option by bequest or inheritance only during the period within one year after the date of death, but in no event beyond the original expiration date of the option.

13. Effect of Certain Changes. (a) If there is any change in the number of outstanding shares of Common Stock by reason of any stock dividend, stock split, recapitalization, combination, exchange of shares, merger, consolidation, liquidation, split-up, spin-off or other similar change in capitalization, any distribution to common shareholders, including a rights offering, other than cash dividends, or any like change, then the number of shares of Common Stock available for options, the number of such shares covered by outstanding options, and the price per share of such options shall be proportionately adjusted by the Committee to reflect such change or distribution; provided, however, that any fractional shares resulting from such adjustment shall be eliminated.

(b) In the event of a change in the Common Stock of the Company as presently constituted, the shares resulting from any such change shall be deemed to be the Common Stock within the meaning of the Plan.

(c) In the event of a reorganization, recapitalization, merger, consolidation, acquisition of property or stock, extraordinary dividend or distribution (other than as covered by Section 13(a) hereof), separation or liquidation of the Company, or any other event similarly affecting the Company, the Board or the Committee shall have the right, but not the obligation, notwithstanding anything to the contrary in this Plan, to provide that outstanding options granted under this Plan shall (i) be canceled in respect of a cash payment or the payment of securities or property, or any combination thereof, with a per share value determined by the Board in good faith to be equal to the value received by the stockholders of the Company in such event in the respect of each share of Common Stock, with appropriate deductions of exercise prices, or (ii) be adjusted to represent options to receive cash, securities, property, or any combination thereof, with a per share value determined by the Board in good faith to be equal to the value received by the stockholders of the Company in such event in respect of each share of Common Stock, at such exercise prices as the Board or the Committee in its discretion may determine is appropriate.

(d) To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Committee, whose determination in that respect shall be final, binding and conclusive; provided that each incentive stock option granted pursuant to this Plan shall not be adjusted in a manner that causes such option to fail to continue to qualify as an incentive stock option within the meaning of Section 422 of the Code.

14. Nonexclusive Plan. Neither the adoption of the Plan by the Board nor the submission of the Plan to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

15. Section 16 Persons. With respect to persons subject to Section 16 of the Exchange Act, transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

16. Assignability. Nonqualified options may be transferred by gift to any member of the optionee's immediate family or to a trust for the benefit of one or more of such immediate family members and nonqualified and incentive stock options may be transferred by the laws of descent and distribution. During an optionee's lifetime, options granted to an optionee may be exercised only by such optionee or by his or her guardian or legal representative unless the option has been transferred in accordance with the preceding sentence, in which case, it shall be exercisable only by such transferee. For purposes of this Section 16, immediate family shall mean the optionee's spouse, children and grandchildren.

17. Amendment or Discontinuance. The Plan may be amended or discontinued by the Board without the approval of the stockholders of the Company, except that stockholder approval shall be required for any amendment that would (a)

increase (except as provided in Section 13 hereof) the maximum number of shares of Common Stock for which options may be granted under the Plan, (b) change the class of employees eligible to participate in the Plan, or (c) otherwise materially modify the terms of the Plan. No termination, modification or amendment of the Plan may, without the consent of the participant to whom any option shall theretofore have been granted, adversely affect the rights of such employee (or his or her transferee) under such option.

18. Effect of Plan. Neither the adoption of the Plan nor any action of the Board or Committee shall be deemed to give any officer or employee any right to be granted an option to purchase Common Stock or any other rights except as may be evidenced by a stock option agreement, or any amendment thereto, duly authorized by the Board or Committee and executed on behalf of the Company, and then only to the extent and on the terms and conditions expressly set forth therein.

19. Term. Unless sooner terminated by action of the Board, this Plan will terminate on August 1, 2005. The Committee may not grant options under the Plan after that date, but options granted before that date will continue to be effective in accordance with their terms.

20. Effectiveness; Approval of Stockholders. The Plan shall take effect upon its adoption by the Board, but its effectiveness and the exercise of any options shall be subject to the approval of the holders of a majority of the voting shares of the Company, which approval must occur within twelve months after the date on which the Plan is adopted by the Board.

21. Definitions. For the purpose of this Plan, unless the context requires otherwise, the following terms shall have the meanings indicated:

(a) "Board" means the board of directors of the Company.

(b) "Code" means the Internal Revenue Code of 1986, as amended.

(c) "Common Stock" means the Common Stock which the Company is currently authorized to issue or may in the future be authorized to issue (as long as the Common Stock varies from that currently authorized, if at all, only in amount of par value).

(d) "Company" means AVX Corporation, a Delaware corporation.

(e) "Exchange Act" means the Securities Exchange Act of 1934, as from time to time amended.

(f) "Fair Market Value" means the average of the high and the low sales prices of a share of Common Stock on the date of grant (or, if not a trading day, on the last preceding trading day) as reported on the New York Stock Exchange Composite Transactions Tape or, if not listed on the New York Stock Exchange, the principal stock exchange or the NASDAQ National Market on which the Common Stock is then listed or traded; provided, however, that if the Common Stock is not so listed or traded then the Fair Market Value shall be determined in good faith by the Board.

(g) "Incapacity" means any material physical, mental or other disability rendering the participant incapable of substantially performing his services hereunder that is not cured within 180 days of the first occurrence of such incapacity. In the event of any dispute between the Company and the participant as to whether the participant is incapacitated as defined herein, the determination of whether the participant is so incapacitated shall be made by an independent physician selected by the Company's Board of Directors and the decision of such physician shall be binding upon the Company and the participant.

(h) "Option Period" means the period during which an option may be exercised.

(i) "Parent" means any corporation in an unbroken chain of corporations ending with the Company if, at the time of granting of the option, each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

(j) "Plan" means this AVX Corporation 1995 Stock Option Plan as amended from time to time.

(k-1) *Options granted on or before April 30, 2000*: "Retirement" means, with respect to any participant, the participant's retirement as an employee of the Company on or after reaching age 55.

(k-2) *Options granted on or after May 1, 2000*: "Retirement" means, with respect to any participant, the participant's retirement as an employee of the Company on or after reaching age 65, or as otherwise provided under a participant's terms of employment governed by a separate agreement.

(l) "Subsidiary" means any corporation in an unbroken chain of corporations beginning with the Company if, at the time of the granting of the option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain. The "Subsidiaries" means more than one of any such corporations.

(m) "Ten Percent Shareholder" means an individual who owns (or is treated as owning under Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary.