



Avid Reports First Quarter 2006 Results

TEWKSBURY, Mass.--(BUSINESS WIRE)--May 4, 2006--Avid Technology, Inc. (NASDAQ: AVID) today reported revenues of \$218.1 million for the three months ended March 31, 2006 compared to \$166.0 million for the same period in 2005. GAAP net income for the quarter was \$3.3 million, or \$.08 per diluted share compared to GAAP net income of \$19.7 million, or \$.53 per diluted share, in the first quarter of 2005.

Non-GAAP net income for the first quarter of 2006 was \$16.1 million, or \$.37 per diluted share, compared to non-GAAP net income of \$22.2 million, or \$.60 per diluted share in the corresponding quarter of 2005. In order to calculate non-GAAP earnings per share, which the company believes is a meaningful measure of our operating performance and will assist investors in understanding results of operations on a comparative basis, the following adjustments were made to first quarter 2006 and 2005 GAAP earnings per share:

	2006	2005
Non-cash acquisition-related amortization	\$.20	.05
Non-cash stock-based compensation charges	.10	\$.02
Non-recurring and other tax adjustments	(.04)	--
Restructuring charges	.02	--
In-process research and development	.01	--
TOTAL	\$.29	\$.07

"Our results for the quarter were in line with the preliminary results announced on April 11. These results reflect lower-than-expected sales of broadcast products including playout servers and on-air graphics, add-on and local storage, and European consumer products," said David Krall, Avid's president and chief executive officer. "Looking forward, we're pleased with the momentum we created at last week's National Association of Broadcasters convention, where Avid just completed one of its strongest showings in years. In particular, Avid's new Open Storage Initiative was received well by partners and customers alike, and TV Technology Magazine recognized Avid as a Superior Technology Award Recipient (STAR) for our new Interplay™ nonlinear workflow engine. We also received Pick Hits awards for our new software-only Media Composer® and Avid Mojo® SDI, from Broadcast Engineering Magazine, as well as a VIDY award from Videography Magazine for Avid Unity ISIS™. These products are all expected to be strong contributors to Avid's results this year."

Use of Non-GAAP Financial Measures

The non-GAAP operating results and non-GAAP earnings per share listed above are "non-GAAP financial measures" under the rules of the Securities and Exchange Commission. This non-GAAP information supplements, and is not intended to represent a measure of performance in accordance with, disclosures required by generally accepted accounting principles, or GAAP. We believe it is useful for ourselves and investors to review both GAAP and non-GAAP measures in order to assess our performance. We also believe these non-GAAP financial measures are a meaningful measure of our operating performance and will assist investors in understanding our results of operations on a comparative basis. The non-GAAP financial measures used in this release exclude the accounting treatment of stock-based compensation, and these non-GAAP measures should not be relied upon independently, as they ignore the contribution to our operating results that is generated by the incentive and compensation effects of the underlying stock-based compensation programs. In addition to the reasons stated above, we have excluded stock-based compensation from our non-GAAP measures based on our desire to offer consistent information that is comparable to previous information that we have publicly disclosed.

Conference Call

A conference call to discuss Avid's first quarter 2006 financial results and the company's outlook for the balance of 2006 will be held today, May 4, 2006, at 5:00 p.m. EDT. The call will be open to the public, and can be accessed by dialing (913) 981-5509 and referencing confirmation code 7315480. The call and subsequent replay will also be available on Avid's web site. To listen via this alternative, go to the Investor Relations page under the About Us menu at www.avid.com for complete details 10-15 minutes prior to the start of the conference call.

The above release is subject to the completion and filing of our Quarterly Report on Form 10-Q. This release includes forward-

looking statements, as defined by the Private Securities Litigation Reform Act of 1995, about Avid's performance. There are a number of factors that could cause actual events or results to differ materially from that indicated by such forward-looking statements, such as market acceptance of Avid's existing and new products, Avid's ability to anticipate customer needs, competitive factors, including pricing pressures, fluctuating currency exchange rates, delays in product shipments, and the other important events and factors disclosed previously and from time to time in Avid's filings with the U.S. Securities and Exchange Commission. In addition, the forward-looking statements contained herein represent Avid's estimate only as of today and should not be relied upon as representing the company's estimate as of any subsequent date. While Avid may elect to update these forward-looking statements at some point in the future, Avid specifically disclaims any obligation to do so, even if the estimate changes.

About Avid Technology, Inc.

Avid Technology, Inc. is the world leader in digital nonlinear media creation, management, and distribution solutions, enabling film, video, audio, animation, games, and broadcast professionals to work more efficiently, productively, and creatively. For more information about the company's Oscar®, Grammy®, and Emmy® award-winning products and services, please visit: www.avid.com.

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AVID TECHNOLOGY, INC

Condensed Consolidated Statements of Operations
(unaudited - in thousands, except for share data)

	GAAP		NON - GAAP	
	Three Months Ended March 31st, 2006		Three Months Ended March 31st, 2005	
Revenue				
Product	\$194,022	\$147,378	\$194,022	\$147,378
Service	24,048	18,623	24,048	18,623
Total Revenue	218,070	166,001	218,070	166,001
Cost of Revenue				
Product	91,361	60,897	91,222	60,897
Service	13,315	10,070	13,096	10,070
Amortization of intangible assets	5,080	281	-	-
Total Cost of Revenue	109,756	71,248	104,318	70,967
Gross Profit	108,314	94,753	113,752	95,034
Operating Expenses				
Research and development	35,496	24,679	34,190	24,624
Marketing and selling	49,912	37,842	48,651	37,650
General and administrative	15,137	10,302	13,627	9,778
In-process research & development	310	-	-	-
Amortization of intangible				

assets	3,665	1,592	-	-
Restructuring charges	1,066	-	-	-
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Total Operating Expense	105,586	74,415	96,468	72,052
Operating income	2,728	20,338	17,284	22,982
Interest and other income (expense), net	1,970	837	1,970	837
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Income before income taxes	4,698	21,175	19,254	23,819
Provision for income taxes	3,123	1,602	3,123	1,602
Non-recurring and other tax adjustments	(1,770)	(173)	-	-
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Total provision for income taxes	1,353	1,429	3,123	1,602
Net Income	\$ 3,345	\$ 19,746	\$ 16,131	\$ 22,217
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Net income per common share - basic	\$ 0.08	\$ 0.56	\$ 0.38	\$ 0.64
Net income per common share - diluted	\$ 0.08	\$ 0.53	\$ 0.37	\$ 0.60
Weighted average common shares outstanding - basic	42,137	34,987	42,137	34,987
Weighted average common shares outstanding - diluted	43,200	37,263	43,200	37,263

Note

The above results include stock-based compensation related to the adoption of SFAS 123R, the acquisition of M-Audio, and the issuance of restricted stock and restricted stock units in Q1 2006, as follows:

Stock-based compensation included in:	Three Months Ended	
	March 31st, 2006	March 31st, 2005
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Cost of product revenues	\$ 139	\$ -
Cost of service revenues	219	-
Research and development expense	1,306	55
Marketing and selling expense	1,261	192
General and administrative expense	1,510	524
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	\$ 4,435	\$ 771
	=====	=====

Reconciliation of GAAP net income to Non-GAAP net income	Three Months Ended	
	March 31st, 2006	March 31st, 2005
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GAAP net income	\$ 3,345	\$ 19,746
Amortization of intangible assets	8,745	1,873
Stock-based compensation	4,435	771
Non-recurring and other tax adjustments	(1,770)	(173)
Restructuring charges	1,066	-
In-process research & development	310	-

Non-GAAP net income	\$ 16,131	\$ 22,217
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AVID TECHNOLOGY, INC.
Condensed Consolidated Balance Sheets
(unaudited - in thousands)

	March 31, 2006	December 31, 2005
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ASSETS:		
Current assets:		
Cash and marketable securities	\$ 238,679	\$ 238,430
Accounts receivable, net of allowances of \$21,920 and \$22,233 at March 31, 2006 and December 31, 2005, respectively	131,700	140,669
Inventories	100,717	96,845
Prepaid and other current assets	26,119	25,733
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Total current assets	497,215	501,677
Property and equipment, net	38,036	38,563
Goodwill	404,424	396,902
Other intangible assets, net	113,691	118,676
Other assets	9,603	6,228
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Total assets	\$ 1,062,969	\$ 1,062,046
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 36,097	\$ 43,227
Accrued expenses and other current liabilities	90,548	96,311
Deferred revenues and deposits	64,593	66,034
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Total current liabilities	191,238	205,572
Long term liabilities, less current portion	20,321	16,877
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Total liabilities	211,559	222,449
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Stockholders' equity:		
Common stock	423	421
Additional paid-in capital	934,093	928,703
Accumulated deficit	(85,450)	(88,795)
Deferred compensation	-	(1,830)
Accumulated other comprehensive income	2,344	1,098
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Total stockholders' equity	851,410	839,597
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Total liabilities and stockholders' equity	\$ 1,062,969	\$ 1,062,046
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