AVID TECHNOLOGY, INC.
Avid Technology Park
One Park West
Tewksbury, MA 01876

May 12, 1999

Securities and Exchange Commission
450 Fifth Street, N.W.
Judiciary Plaza
Washington, DC 20549

Re: Avid Technology, Inc.
File No. 0-21174
QUARTERLY REPORT ON FORM 10-Q

Ladies and Gentlemen:

Pursuant to regulations of the Securities and Exchange Commission, submitted herewith for filing on behalf of Avid Technology, Inc. is the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1999.

This filing is being effected by direct transmission to the Commission's EDGAR System.

Very truly yours,

/s/ Ethan E. Jacks

Ethan E. Jacks
General Counsel

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly period ended March 31, 1999

Commission File Number 0-21174

AVID TECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

Delaware	04-2977748
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Avid Technology Park
One Park West
Tewksbury, MA 01876
(Address of principal executive offices)

Registrant's telephone number, including area code: (978) 640-6789

Indicate by check mark whether the registrant 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).

Yes __X__ No _____

Indicate by check mark whether the registrant has been subject to such filing requirements for the past 90 days.

Yes __X__ No _____

The number of shares outstanding of the registrant's Common Stock as of May 10, 1999 was 23,978,106.

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AVID TECHNOLOGY, INC.

FORM 10-Q

For the Quarterly Period Ended March 31, 1999

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ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AVID TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended March 31,	
	1999	1998
	(unaudited)	(unaudited)
Net revenues	$111,283	$108,742
Cost of revenues	44,420	45,527
Gross profit	66,863	63,215
Operating expenses:		
Research and development	24,248	20,312
Marketing and selling	32,563	27,694
General and administrative	6,741	6,579
Amortization of acquisition-related intangible assets	20,511	
Total operating expenses	84,063	54,585
Operating income (loss)	(17,200)	8,630
Interest and other income, net	600	2,536
Income (loss) before income taxes	(16,600)	11,166
Provision for (benefit from) income taxes	(5,146)	3,461
Net income (loss)	($11,454)	$7,705
Net income (loss) per common share - basic	($0.47)	$0.34
Net income (loss) per common share - diluted	($0.47)	$0.31
Weighted average common shares outstanding - basic	24,391	22,908
Weighted average common shares outstanding - diluted	24,391	24,587

The accompanying notes are an integral part of the condensed consolidated financial statements.

AVID TECHNOLOGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 1999	December 31, 1998
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$53,720	$62,904
Marketable securities	47,794	48,922
Accounts receivable, net of allowances of $6,923 and $7,171 in 1999 and 1998, respectively	68,982	89,754
Inventories	11,828	11,093
Deferred tax assets	19,341	17,771
Prepaid expenses	6,816	6,095
Other current assets	4,062	5,108
Total current assets	212,543	241,647
Property and equipment, net	35,464	35,398
Long-term deferred tax assets	24,020	23,891
Acquisition-related intangible assets	161,193	181,631
Other assets	6,393	4,148
Total assets	$439,613	$486,715
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$21,168	$24,311
Current portion of long-term debt	405	398
Accrued compensation and benefits	15,074	29,031
Accrued expenses	29,466	32,708
Income taxes payable	7,939	13,715
Deferred revenues	19,625	22,519
Total current liabilities	93,677	122,682
Long-term debt and other liabilities, less current portion	5,987	13,261
Purchase consideration	43,355	60,461
Commitments and contingencies		
Stockholders' equity:		
Preferred stock		
Common stock	265	265
Additional paid-in capital	360,241	349,289
Retained earnings	2,627	14,338
Treasury stock	(60,280)	(68,024)
Deferred compensation	(3,283)	(3,773)
Accumulated other comprehensive income (loss)	(2,976)	(1,784)
Total stockholders' equity	296,594	290,311
Total liabilities and stockholders' equity	$439,613	$486,715

The accompanying notes are an integral part of the condensed consolidated financial statements.

AVID TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended March 31,	
	1999 (unaudited)	1998 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	($11,454)	$7,705
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	25,283	6,122
Compensation from stock grants and options	332	1,534
Provision for doubtful accounts	471	58
Changes in deferred tax assets	(129)	260
Gain on disposal of equipment	(60)	(292)
Changes in operating assets and liabilities:		
Accounts receivable	17,382	11,888
Inventories	3,042	(795)
Prepaid expenses and other current assets	126	(1,409)
Accounts payable	(3,151)	(99)
Income taxes payable	(7,471)	2,303
Accrued expenses, compensation, and benefits	(16,074)	(9,086)
Deferred revenues	(1,064)	(100)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,233	18,089
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment and other assets	(8,750)	(5,961)
Proceeds from disposal of equipment	134	629
Purchases of marketable securities	(23,235)	(54,924)
Proceeds from sales of marketable securities	24,327	32,164
Investment in joint venture	(1,500)	
Payments on note issued in connection with acquisition	(8,095)	
NET CASH USED IN INVESTING ACTIVITIES:	(17,119)	(28,092)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of long-term debt	(225)	(269)
Purchase of common stock for treasury	(531)	(5,963)
Proceeds from issuance of common stock	2,546	5,006
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,790	(1,226)
Effects of exchange rate changes on cash and cash equivalents	(1,088)	81
Net decrease in cash and cash equivalents	(9,184)	(11,148)
Cash and cash equivalents at beginning of period	62,904	108,308
Cash and cash equivalents at end of period	$53,720	$97,160

Non-cash Financing and Investing Activities:		
Property and equipment and inventory transferred to joint venture	$500	

The accompanying notes are an integral part of the condensed consolidated financial statements.

PART I. FINANCIAL INFORMATION
ITEM 1D. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. FINANCIAL INFORMATION

The accompanying condensed consolidated financial statements include the accounts of Avid Technology, Inc. and its wholly owned subsidiaries ("Avid" or "the Company"). The interim financial statements are unaudited. However, in the opinion of management, the condensed consolidated financial statements include all adjustments, consisting of only normal, recurring adjustments, necessary for their fair presentation. Interim results are not necessarily indicative of results expected for a full year. The accompanying unaudited condensed financial statements have been prepared in accordance with the instructions for Form 10-Q and therefore do not include all information and footnotes necessary for a complete presentation of operations, the financial position and cash flows of the Company, in conformity with generally accepted accounting principles. The Company filed audited consolidated financial statements for the year ended December 31, 1998 on Form 10-K, which included all information and footnotes necessary for such presentation.

The Company's preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. The most significant estimates included in these financial statements include accounts receivable and sales allowances, inventory valuation, the recoverability of intangible assets including goodwill, and income tax valuation allowances. Actual results could differ from those estimates.

2. NET INCOME (LOSS) PER COMMON SHARE

The following table reconciles the numerator and denominator of the basic and diluted earnings per share computations shown on the Condensed Consolidated Statements of Operations:
(in thousands, except per share data)

	For the Three Months Ended March 31,	
	1999	1998
Basic EPS		
Numerator:		
Net income (loss)	($11,454)	$7,705
Denominator:		
Weighted common shares outstanding	24,391	22,908
Basic EPS	($0.47)	$0.34
Diluted EPS		
Numerator:		
Net income (loss)	($11,454)	$7,705
Denominator:		
Weighted common shares outstanding	24,391	22,908
Weighted common stock equivalents	-	1,679
	24,391	24,587
Diluted EPS	($0.47)	$0.31

Options and warrants to purchase 5,611,041 weighted shares of common stock outstanding were excluded from the calculation of diluted earnings per share for the three months ended March 31, 1999 because their inclusion would be anti-dilutive. Approximately 2,777,734 of these weighted shares had an exercise price that exceeded the average market price of common stock during that period. Options to purchase 71,747 weighted shares of common stock outstanding were excluded from the calculation of diluted earnings per share for the three month period ended March 31, 1998 because the exercise prices of those options exceeded the average market price of common stock for the three-month period ended March 31, 1998.

3. INVENTORIES

Inventories consist of the following (in thousands):

	March 31, 1999	December 31, 1998
Raw materials	$6,143	$6,193
Work in process	1,965	2,081
Finished goods	3,720	2,819

$11,828	$11,093

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following (in thousands):

	March 31, 1999	December 31, 1998
Computer and video equipment	$88,912	$85,365
Office equipment	5,045	4,874
Furniture and fixtures	7,194	7,138
Leasehold improvements	15,486	15,287
	116,637	112,664
Less accumulated depreciation and amortization	81,173	77,266
	$35,464	$35,398

5. INVESTMENT IN JOINT VENTURE

On January 27, 1999, the Company, with Tektronix, Inc., incorporated a 50% owned and funded newsroom venture, AvStar Systems LLC ("AvStar"), which began operations in February 1999 with its corporate office located in Madison, Wisconsin. The joint venture is dedicated to providing the next generation of digital news production products. The Company's investment in the joint venture is being accounted for under the equity method of accounting. The Company's initial contribution to the joint venture was approximately $2.0 million, consisting of $1.5 million in cash and $0.5 million of licensed technology, fixed assets and inventory.

6. LONG-TERM DEBT AND PURCHASE CONSIDERATION

In connection with the acquisition of Softimage, Avid issued a $5.0 million subordinated note (the "Note") to Microsoft Corporation. The principal amount of the Note, including any adjustments as provided for in the underlying agreement relative to Avid stock options forfeited by Softimage employees, plus all unpaid accrued interest is due on June 15, 2003. The Note bears interest at 9.5% per annum, payable quarterly. Through March 31, 1999, the Note has been increased by approximately $6.3 million for forfeited Avid stock options. The Company made cash payments of approximately $180,000 for interest and $8.0 million for principal during the quarter ended March 31, 1999.

In conjunction with the acquisition of Softimage, the Company issued stock options to retained employees. As agreed with the seller, the value of the note payable to the seller will be increased by $39.71 for each share underlying options that become forfeited by employees. At the date of acquisition, the Company recorded these options as Purchase Consideration on the balance sheet at a value of $68.2 million. As these options become vested, additional paid-in capital is increased or, alternatively, as the options are forfeited, the note payable to the seller is increased, with Purchase Consideration being reduced by a corresponding amount in either case.

7. CONTINGENCIES

On June 7, 1995, the Company filed a patent infringement complaint in the United States District Court for the District of Massachusetts against Data Translation, Inc., a Marlboro, Massachusetts-based company. Avid is seeking judgment against Data Translation that, among other things, Data Translation has willfully infringed Avid's patent number 5,045,940, entitled "Video/Audio Transmission System and Method". Avid is also seeking an award of treble damages together with prejudgment interest and costs, Avid's costs and reasonable attorneys' fees, and an injunction to prohibit further infringement by Data Translation. The litigation has been dismissed without prejudice (with leave to refile) pending a decision by the U.S. Patent and Trademark Office on a reissue patent application based on the issued patent.

On March 11, 1996, the Company was named as defendant in a patent infringement suit filed in the United States District Court for the Western District of Texas by Combined Logic Company, a California partnership located in Beverly Hills, California. On May 16, 1996, the suit was transferred to the United States District Court for the Southern District of New York on motion by the Company. The complaint alleges infringement by Avid of U.S. patent number 4,258,385, issued in 1981, and seeks injunctive relief, treble damages and costs, and attorneys' fees. The Company believes that it has meritorious defenses to the complaint and intends to contest it vigorously. However, an adverse resolution of this litigation could have a material adverse effect on the Company's consolidated financial position or results of operations in the period in which the litigation is resolved. No costs have been accrued for this possible loss contingency.

The Company also receives inquiries from time to time with regard to additional possible patent infringement claims. These inquiries are generally referred to counsel and are in various stages of discussion. If any infringement is determined to exist, the Company may seek licenses or settlements. In addition, as a normal incidence of the nature of the Company's business, various claims, charges, and litigation have been asserted or commenced against the Company arising from or related to contractual or employee relations, or product performance. Management does not believe these claims will have a material adverse effect on the financial position or results of operations of the Company.

8. CAPITAL STOCK

On October 23, 1997, February 5, 1998 and October 21, 1998, the Company announced that the Board of Directors authorized the repurchase of up to 1.0 million, 1.5 million and 2.0 million shares, respectively, of the Company's common stock. Purchases have been and will be made in the open market or in privately negotiated transactions. The Company has used and will continue to use any repurchased shares for its employee stock plans. As of December 31, 1997, the Company had repurchased a total of 1.0 million shares at a cost of $28.8 million, which completed the program announced in October 1997. As of December 31, 1998, the Company had repurchased approximately 1.9 million additional shares of Avid common stock at a cost of $61.8 million, which completed the program announced during February 1998 and initiated the program announced in October 1998. As of March 31, 1999, the balance of shares authorized for repurchase was 1.5 million shares.

9. COMPREHENSIVE INCOME (LOSS)

Total comprehensive income (loss), net of taxes, was approximately ($12.6) million and $8.0 million for the three-month periods ended March 31, 1999 and 1998, respectively, which consists of net income (loss), the net changes in foreign currency translation adjustment and the net unrealized gains and losses on available-for-sale securities. This calculation is in accordance with the requirements of Statement of Financial Accounting Standards No. 130 ("SFAS 130"), "Reporting Comprehensive Income", and has no impact on the Company's net income or stockholders' equity.

10. SEGMENT INFORMATION

The Company's organizational structure is based on strategic business units that offer various products to the principle markets in which the Company's products are sold. These business units equate to two reportable segments: Video and Film Editing and Effects; Professional Audio.

The following is a summary of the Company's operations by operating segment for the three months ended March 31, 1999 and 1998 (in thousands):

	For the Three Months Ended March 31,	
	1999	1998
Video and Film Editing and Effects:		
Net revenues	$86,025	$92,504
Depreciation	$4,847	$5,175
Operating income (loss)	($3,754)	$5,627
Professional Audio:		
Net revenues	$25,258	$16,238
Depreciation	$275	$367
Operating income	$7,065	$3,003
Segment Totals:		
Net revenues	$111,283	$108,742
Depreciation	$5,122	$5,542
Operating income	$3,311	$8,630

The following table reconciles segment operating income (loss) to total consolidated operating income (loss) for the three months ended March 31, 1999 and 1998 (in thousands):

	1999	1998
Total operating income for reportable segments	$3,311	$8,630
Unallocated amount:		
Amortization of acquisition-related intangible assets	(20,511)	
Consolidated operating income (loss)	($17,200)	$8,630

The 1999 unallocated amount represents the amortization of acquired intangible assets, including goodwill, associated with the acquisition of Softimage.

11. SUPPLEMENTAL RECONCILIATION OF NET INCOME (LOSS) TO TAX-EFFECTED INCOME EXCLUDING AMORTIZATION OF ACQUISITION-RELATED INTANGIBLE ASSETS

The following table presents a calculation of tax-effected income and diluted per share amounts excluding amortization of acquisition-related intangible assets. The information is presented in order to enhance the comparability of the statements of operations for the periods presented.

(in thousands, except per share data)

	For the Three Months Ended March 31,	
	1999	1998
Net income (loss)	($11,454)	$7,705
Adjustments:		
Amortization of acquisition-related intangible assets	20,511	
Tax impact of adjustment	(6,359)	
Tax-effected income excluding amortization of acquisition-related intangible assets	$2,698	$7,705
Tax-effected income per diluted share excluding amortization of acquisition-related intangible assets	$0.10	$0.31
Weighted average common shares outstanding - diluted - used for calculation	27,225	24,587

The 1999 adjustment represents the amortization of $20.5 million related to acquired intangible assets, including goodwill, associated with the acquisition of Softimage.

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

OVERVIEW

The text of this document may include forward-looking statements. Actual results may differ materially from those described herein, depending on such factors as are described herein, including under "Certain Factors That May Affect Future Results".

Avid develops and provides digital film, video and audio editing and special effects software and hardware technologies to create media content for information and entertainment applications. Integrated with the Company's digital storage and networking solutions, Avid's products are used worldwide in video and audio production and post-production facilities; film studios; network, affiliate, independent and cable television stations; recording studios; advertising agencies; government and educational institutions; corporate communications departments; and by individual home users.

In August 1998, the Company acquired the business of Softimage. The acquisition was recorded as a purchase and, accordingly, the results of Softimage are included in the Company's financial statements as of the acquisition date.

RESULTS OF OPERATIONS

Net Revenues

The Company's net revenues have been derived mainly from the sales of computer-based digital, nonlinear media editing systems and related peripherals, licensing of related software, and sales of software maintenance contracts. Net revenues increased to $111.3 million in the quarter ended March 31, 1999 from $108.7 million in the same quarter of last year. Revenues reflected incremental Softimage business and increased sales of digital audio products. These increased revenues were partially offset by decreased sales of Media Composer products and related storage peripherals and Broadcast products. During the first quarter of 1999, the Company began shipments of Pro Tools|24 Mix and Mix Plus for Windows NT. To date, product returns of all products have been immaterial.

Net revenues derived through indirect channels were greater than 85% of net revenue for the three months ended March 31, 1999, compared to greater than 65% of net revenue for the same period in 1998 and greater than 70% of net revenue for the full year ended December 31, 1998.

International sales (sales to customers outside the U.S. and Canada) accounted for approximately 54% and 48% of the Company's first quarter 1999 and 1998 net revenues, respectively. International sales increased approximately 16% in the first quarter of 1999 compared to the same period in 1998. The increase in international sales reflected increases in Europe and, to a lesser extent, the Asia Pacific region.

Gross Profit

Cost of revenues consists primarily of costs associated with the procurement of components; the assembly, test, and distribution of finished products; warehousing; post-sales customer support costs; and provisions for inventory obsolescence. The resulting gross profit fluctuates based on factors such as the mix of products sold, the cost and proportion of third-party hardware included in the systems sold by the Company, the distribution channels through which products are sold, the timing of new product introductions, the offering of product upgrades, price discounts and other sales promotion programs and sales of aftermarket hardware products. Gross margin increased to 60.1% in the first quarter of 1999 compared to 58.1% in the same period of 1998. This increase was primarily due to lower material costs, continued improvements in manufacturing efficiencies, and a favorable product mix, principally from Softimage product margins. The Company currently expects that gross margins for the remainder of 1999 will approximate results of the most recent quarter.

Research and Development

Research and development expenses increased by $3.9 million (19.4%) in the first quarter of 1999 compared to the same period in 1998. The increase was primarily due to incremental Softimage costs as well as additions to the Company's engineering staffs for the continued development of new and existing products. Research and development expenses increased as a percentage of net revenues to 21.8% in the first quarter of 1999 from 18.7% for the same period in 1998. This percentage increase was primarily due to the increase in research and development expenses as noted above.

Marketing and Selling

Marketing and selling expenses increased by approximately $4.9 million (17.6%) in the first quarter of 1999 compared to the same period in 1998 primarily due to incremental Softimage costs and increased spending on various marketing programs. Marketing and selling expenses increased as a percentage of net revenues to 29.3% in the first quarter of 1999 from 25.5% for the same period in 1998. This percentage increase was primarily due to the increase in marketing and selling expenses as noted above.

General and Administrative

General and administrative expenses increased by $162,000 (2.5%) in the first quarter of 1999 compared to the same period in 1998. The increase is primarily attributable to increased compensation-related expenses. General and administrative expenses remained flat as a percentage of net revenues, at 6.1% in the first quarters of 1999 and 1998.

Amortization of Acquisition-related Assets

In connection with the August 1998 acquisition of the business of Softimage, the Company allocated $88.2 million of the total purchase price of $247.9 million to intangible assets consisting of completed technologies, work force and trade name, and $127.8 million to goodwill. Results for the quarter ended March 31, 1999 reflect amortization of $20.5 million associated with these acquisition-related intangible assets.

Interest and Other Income, Net

Interest and other income, net consists primarily of interest income, other income and interest expense. Interest and other income, net for the first quarter in 1999 decreased $1.9 million as compared to the same period in 1998. This decrease in interest and other income, net was primarily due to lower cash and investment balances and to Avid's share of the net losses of its joint venture with Tektronix.

Provision for Income Taxes

The Company's effective tax rate was 31% for the first quarters of 1999 and 1998. The 1999 and 1998 effective tax rates of 31% are different from the U.S. Federal statutory rate of 35% due primarily to the Company's foreign subsidiaries, which are taxed in the aggregate at a lower rate, and the U.S. Federal Research Tax Credit.

LIQUIDITY AND CAPITAL RESOURCES

The Company has funded its operations to date through both private and public sales of equity securities as well as through cash flows from operations. As of March 31, 1999, the Company's principal sources of liquidity included cash, cash equivalents and marketable securities totaling approximately $101.5 million.

With respect to cash flow, net cash provided by operating activities was $7.2 million for the period ended March 31, 1999 compared to $18.1 million in 1998. During the three months ended March 31, 1999, net cash provided by operating activities primarily reflects net income adjusted for depreciation and amortization as well as a decrease in accounts receivable, partially offset by decreases in accrued expenses and income taxes payable. During the three months ended March 31, 1998, net cash provided by operating activities primarily reflects net income adjusted for depreciation and amortization, as well as a decrease in accounts receivable, partially offset by a decrease in accrued expenses.

The Company purchased $8.8 million of property and equipment and other assets during the three months ended March 31, 1999, compared to $6.0 million in the same period in 1998. These purchases included hardware and software for the Company's information systems and equipment to support research and development activities. The Company also utilized $8.1 million to pay down a portion of the note issued to Microsoft Corporation in connection with the acquisition of Softimage. Additionally, the Company made a cash investment of $1.5 million into a joint venture with Tektronix.

The Company maintains an unsecured line of credit agreement with a group of banks that provides for up to $35.0 million in revolving credit. The line of credit agreement, as renewed and amended, expires on June 29, 1999. Under the terms of the agreement, the Company must pay an annual commitment fee of 1/4% of the average daily unused portion of the facility, payable quarterly in arrears. The Company has two loan options available under the agreement: the Base Rate Loan and the LIBOR Rate Loan. The interest rates to be paid on the outstanding borrowings for each loan annually are equal to the Base Rate or LIBOR plus 1.25%, respectively. Additionally, the Company is required to maintain certain financial ratios and is bound by covenants over the life of the agreement, including a restriction on the payment of dividends. The Company had no borrowings against the line and was not in default of any financial covenants as of March 31, 1999. The Company believes existing cash and marketable securities, internally generated funds and available borrowings under its bank credit line will be sufficient to meet the Company's cash requirements, including capital expenditures, at least through the next twelve months. In the event the Company requires additional financing, the Company believes that it would be able to obtain such financing; however, there can be no assurance that it would be successful in doing so, or that it could do so on terms favorable to the Company.

On October 23, 1997, February 5, 1998 and October 21, 1998, the Company announced that the Board of Directors authorized the repurchase of up to 1.0 million, 1.5 million and 2.0 million shares, respectively, of the Company's common stock. Purchases have been and will be made in the open market or in privately negotiated transactions. The Company has used and will continue to use any repurchased shares for its employee stock plans. As of December 31, 1997, the Company had repurchased a total of 1.0 million shares at a cost of $28.8 million, which completed the program announced in October 1997. As of December 31, 1998, the Company had repurchased approximately 1.9 million additional shares of Avid common stock at a cost of $61.8 million, which completed the program announced during February 1998 and initiated the program announced in October 1998. As of March 31, 1999, the balance of shares authorized for repurchase was 1.5 million shares.

Other planned uses of cash include the efforts to develop the purchased in-process research and development related to the Softimage acquisition into commercially viable products. Additionally, the note issued to Microsoft Corporation in connection with the Softimage acquisition is due and payable in June 2003.

YEAR 2000 READINESS DISCLOSURE

The Company has a worldwide program in place to address its exposure to the Year 2000 issue. This program is designed to minimize the possibility of significant Year 2000 interruptions. Possible worst case scenarios include the interruption of significant parts of the Company's business as a result of critical business systems failures or failures experienced by suppliers, resellers, or customers. Any such interruption may have a material adverse impact on future results. Since the possibility of such interruptions cannot be eliminated, the Company has involved a significant number of cross-functional resources with technical, business, legal, and financial expertise in order to achieve Year 2000 readiness.

In 1998, the Company established the worldwide program to address its software and hardware product and customer concerns, its internal business systems, including technology infrastructure and embedded technology systems, and the compliance of its suppliers. This program includes the following phases: identification, assessment, testing, remediation, and contingency planning.

The readiness status of the Company's hardware and software products is available on the Company's web site, which is updated from time to time. This web site has been and will continue to be the Company's primary method for communicating information about its products to the public. With respect to its products, the Company has created categories to describe the status of its products. Approximately 70% of the products that the Company has considered for testing have been classified as "Year 2000 Ready." The "Year 2000 Ready" category indicates that the Company has determined that the product, when used in its designated manner, will not terminate abnormally or give incorrect results with respect to date data before, during or after December 31, 1999, provided that all products used in conjunction with the Avid product exchange accurately formatted information with the Avid product. The Company intends to continue testing the majority of the remaining 30% of its designated products and to provide updates such as software patches, workarounds, or other solutions for such designated products where necessary to make them Year 2000 ready. In certain cases, for older products, the Company has or may deem it inappropriate to test or provide upgrade paths for Year 2000 readiness. Because all customer situations cannot be anticipated, the Company may see a change in demand or an increase in warranty or service claims as a result of the Year 2000 transition. Such events, should they occur, could have a material adverse impact on future results.

With respect to the Company's efforts to address the Year 2000 readiness of its internal business systems the identification and assessment phases have, for the most part, been completed; the remainder of these efforts will occur in the second quarter of 1999. These identification and assessment phases involved evaluation of substantially all of the Company's internal information systems and other infrastructure areas including communication systems, building security systems and embedded technologies in areas such as manufacturing and customer support processes. Testing of certain existing internal information systems is currently underway and is scheduled to be substantially completed in the second quarter of 1999. Those systems which are already known or are shown not to be Year 2000 ready are scheduled for remediation during the second or third quarter of 1999. Remediation may involve upgrades or replacements of non-ready systems. Certain of the Company's business systems were already scheduled to be replaced in the normal course of business for reasons unrelated to potential Year 2000 issues. Those systems will be tested for Year 2000 issues as part of the normal installation and testing process.

The Company has initiated communications with mission critical third party suppliers and service providers, such as inventory suppliers, equipment suppliers, financial institutions, landlords, and resellers, to determine the extent to which the Company's operations are vulnerable to those third parties' failure to remediate their own Year 2000 issues. Suppliers of software, hardware or other products that might contain embedded processors were requested to provide certification regarding the Year 2000 readiness status of their products and business processes. Suppliers of services were also requested to provide certification or other appropriate information regarding their Year 2000 readiness status. For service suppliers who interface with the Company via electronic means, the Company intends to test mission critical interfaces where possible or appropriate. In addition, in order to protect against the acquisition of additional products or services that may not be Year 2000 ready, the Company is implementing a policy that requires sufficient assurances that such products and services are Year 2000 ready. With respect to the Company's resellers, the Company has requested or is in the process of requesting from them appropriate assurances regarding Year 2000 readiness status of their business processes.

The Company's efforts with respect to third party suppliers and service providers is scheduled for completion during the second quarter of 1999. The Company does not anticipate any related delays that will significantly impact its Year 2000 readiness as a whole. However, the Company does face a risk with respect to third party suppliers who may prove unable to address and remediate their Year 2000 issues. The Company is developing contingency plans to address the products or services obtained from those third parties who fail to provide the requested information or whose responses are inadequate.

The costs of the readiness program are primarily costs of existing internal resources and expertise combined with small incremental external spending. The entire cost of the program is estimated at $3.2 million, of which approximately 50% has been incurred through April 30, 1999. Costs for business system replacements or upgrades unrelated to Year 2000 issues are not included in this estimate. No future material product readiness costs are anticipated. However, milestones and implementation dates and the costs of the Company's Year 2000 readiness program are subject to change based on new circumstances that may arise or new information becoming available.

Based on the Company's ongoing evaluation of internal information and other systems, the Company does not anticipate significant business interruptions. However, satisfactorily addressing a particular Year 2000 issue on a timely basis is dependent on many factors, some of which are not completely within the Company's control, such as those involving third parties. Additionally, there remains the risk that errors or defects related to the Year 2000 issue may remain undetected. Should business interruptions occur, or should a significant Year 2000 issue go undetected, there could be a material adverse impact on future results.

EUROPEAN MONETARY UNION

On January 1, 1999, eleven of the fifteen member countries of the European Union established fixed conversion rates between their sovereign currencies and the euro. As of that date, the participating countries agreed to adopt the euro as their common legal currency. However, the legacy currencies will also remain legal tender in the participating countries for a transition period between January 1, 1999 and January 1, 2002. During this transition period, public and private parties may elect to pay or charge for goods and services using either the euro or the participating country's legacy currency.

The Company began conducting certain business transactions in the euro on January 1, 1999, and will change its functional currencies for the effected countries to the euro by the end of the three-year transition period. The conversion to the euro has not and is not expected to have a significant operational impact or a material financial impact on the results of operations, financial position, or liquidity of its European businesses.

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS

A number of uncertainties exist that could affect the Company's future operating results, including, without limitation, the following:

The Company began shipping its Avid Symphony product, which is based on Intel Architecture ("IA") computers and the Microsoft Windows NT operating system, and its SOFTIMAGE|DS and Pro Tools|24 Mix products during 1998. The Company expects that a significant portion of its future revenues will be attributable to sales of these newly introduced products. However, if these products fail to achieve anticipated levels of market acceptance, the Company's revenues and results of operations could be adversely affected. In addition, the Company from time to time develops new products or upgraded existing products to incorporate advances in enabling technologies. For example, the Company is continuing to develop additional products that operate using IA - based computers and the Windows NT operating system. There can be no assurance that customers will not defer purchases of existing Apple-based and other products in anticipation of the release of such new products, that the Company will be successful in developing additional new products or that they will gain market acceptance, if developed. Any deferral by customers of purchases of existing Apple-based or other products or any failure by the Company to develop such new products in a timely way or to gain market acceptance for them could have a material adverse effect on the Company's business and results of operations.

Certain of the Company's products operate only on specific computer platforms. The Company currently relies on Apple Computer, Inc., IBM and Intergraph as the sole manufacturers of such computer platforms. There can be no assurance that customers will not purchase competitors' products based on other computer platforms, that the respective manufacturers will continue to develop, manufacture, and support such computer platforms suitable for the Company's existing and future markets or that the Company will be able to secure an adequate supply of computers, the occurrence of any of which could have a material adverse effect on the Company's business and results of operations.

The Company has expanded its product line to address the digital media production needs of the television broadcast news market, online film and video finishing market and the emerging market for multimedia production tools, including the corporate and home user market. The Company has limited experience in serving these markets, and there can be no assurance that the Company will be able to develop such products successfully, that such products will achieve widespread customer acceptance, or that the Company will be able to develop distribution and support channels to serve these markets. A significant portion of the Company's future growth will depend on customer acceptance in these and other new markets. Any failure of such products to achieve market acceptance, additional costs and expenses incurred by the Company to improve market acceptance of such products and to develop new distribution and support channels, or the withdrawal from the market of such products or of the Company from such new markets could have a material adverse effect on the Company's business and results of operations.

The Company's gross margin may fluctuate based on factors such as the mix of products sold, cost and the proportion of third-party hardware included in the systems sold by the Company, the distribution channels through which products are sold, the timing of new product introductions, the offering of product and platform upgrades, price discounts and other sales promotion programs, the volume of sales of aftermarket hardware products, the costs of swapping or fixing products released to the market with errors or flaws, provisions for inventory obsolescence, allocations of overhead costs to manufacturing and customer support costs to cost of goods, sales of third-party computer hardware to its distributors, and competitive pressure on selling prices of products. The Company's systems and software products typically have higher gross margins than storage devices and product upgrades. Gross profit varies from product to product depending primarily on the proportion and cost of third-party hardware included in each product. The Company, from time to time, adds functionality and features to its systems. If such additions are accomplished through the use of more, or more costly, third-party hardware, and if the Company does not increase the price of such systems to offset these increased costs, the Company's gross margins on such systems would be adversely affected. In addition, during 1998 and 1999, the Company installed server-based, all-digital broadcast newsroom systems at certain customer sites. Some of these systems have been accepted by customers, and the resulting revenues and associated costs were recognized by the Company. Others of these systems have not yet been accepted by customers. The Company believes that such installations, when and if fully recognized as revenue on customer acceptance, will be profitable. However, the Company is unable to determine whether and when the systems will be accepted. In any event, the Company believes that, because of the high proportion of third-party hardware, including computers and storage devices, included in such systems, the gross margins on such sales will be lower than the gross margins generally on the Company's other systems.

The Company has shifted an increasing proportion of its sales through indirect channels such as distributors and resellers. The Company believes the overall shift to indirect channels has resulted in an increase in the number of software and circuit board "kits" sold through indirect channels in comparison with turnkey systems consisting of CPUs, monitors, and peripheral devices, including accompanying software and circuit boards, sold by the Company through its direct sales force to customers. Resellers and distributors typically purchase software and "kits" from the Company and other turnkey components from other vendor sources in order to produce complete systems for resale. Therefore, to the extent the Company increases its sales through indirect channels, its revenue per unit sale will be less than it would have been had the same sale been made directly by the Company. In the event the Company is unable to increase the volume of sales in order to offset this decrease in revenue per unit sale or is unable to continue to reduce its costs associated with such sales, profits could be adversely affected.

The Company's operating expense levels are based, in part, on its expectations of future revenues. In recent quarters approximately half of the Company's revenues for the quarter have been recorded in the third month of the quarter. Further, in many cases, quarterly operating expense levels cannot be reduced rapidly in the event that quarterly revenue levels fail to meet internal expectations. Therefore, if quarterly revenue levels fail to meet internal expectations upon which expense levels are based, the Company's operating results may be adversely affected and there can be no assurance that the Company would be able to operate profitably. Reductions of certain operating expenses, if incurred, in the face of lower than expected revenues could involve material one-time charges associated with reductions in headcount, trimming product lines, eliminating facilities and offices, and writing off certain assets.

The Company has significant deferred tax assets. The deferred tax assets reflect the net tax effects of tax credit and operating loss carryforwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Although realization is not assured, management believes it is more likely than not that all of the deferred tax asset will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced.

The Company is dependent on a number of suppliers as sole source vendors of certain key components of its products and systems. Components purchased by the Company from sole source vendors include; video compression chips manufactured by C-Cube Microsystems; a small computer systems interface ("SCSI") accelerator board from ATTO Technology; a 3D digital video effects board from Pinnacle Systems; application specific integrated circuits ("ASICS") from Chip Express and LSI Logic; digital signal processing integrated circuits from Motorola; a fibre channel adapter card from JNI; a fibre channel storage array from Data General's Clariion division; and a PCI expansion chassis from Magma Inc. The Company purchases these sole source components pursuant to purchase orders placed from time to time. The Company also manufactures certain circuit boards under license from Truevision (a subsidiary of Pinnacle Systems). The Company generally does not carry significant inventories of these sole source components and has no guaranteed supply arrangements. No assurance can be given that sole source suppliers will devote the resources necessary to support the enhancement or continued availability of such components or that any such supplier will not encounter technical, operating or financial difficulties that might imperil the Company's supply of such sole source components. While the Company believes that alternative sources of supply for sole source components could be developed, or systems redesigned to permit the use of alternative components, its business and results of operations could be materially affected if it were to encounter an untimely or extended interruption in its sources of supply.

The markets for digital media editing and production systems are intensely competitive and subject to rapid change. The Company encounters competition in the video and film editing and effects and professional audio markets. Many current and potential competitors of the Company have substantially greater financial, technical, distribution, support, and marketing resources than the Company. Such competitors may use these resources to lower their product costs and thus be able to lower prices to levels at which the Company could not operate profitably. Further, such competitors may be able to develop products comparable or superior to those of the Company or adapt more quickly than the Company to new technologies or evolving customer requirements. Accordingly, there can be no assurance that the Company will be able to compete effectively in its target markets or that future competition will not adversely affect its business and results of operations.

A significant portion of the Company's business is conducted in currencies other than the U.S. dollar. Changes in the value of major foreign currencies relative to the value of the U.S. dollar, therefore, could adversely affect future revenues and operating results. The Company attempts to reduce the impact of currency fluctuations on results through the use of forward exchange contracts that hedge foreign currency-denominated intercompany net receivables or payable balances. The Company has generally not hedged transactions with external parties, although it periodically reevaluates its hedging practices.

The Company is involved in various legal proceedings, including patent litigation; an adverse resolution of any such proceedings could have a material adverse effect on the Company's business and results of operations. See Note 7 to Condensed Consolidated Financial Statements.

PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

(a) EXHIBITS

27 Financial Data Schedule

(b) REPORTS ON FORM 8-K. For the fiscal quarter ended March 31, 1999, the Company filed one Current Report on Form 8-K on February 4, 1999, reporting under Item 5 its preliminary results of operations for the fourth quarter of 1998. The report included unaudited condensed consolidated statements of operations before acquisition-related charges.

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.

Avid Technology, Inc.

Date: May 12, 1999 By: /s/ William L. Flaherty

William L. Flaherty
Senior Vice President of
Finance, Chief Financial
Officer and Treasurer
(Principal Financial Officer)

Date: May 12, 1999 By: /s/ Carol L. Reid

Carol L. Reid
Vice President and Corporate
Controller
(Principal Accounting Officer)

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION	PAGE
27	Financial Data Schedule	

THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED BALANCE SHEETS ON THE FORM 10-Q FOR THE PERIOD ENDED MARCH 31, 1999 AND THE CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AS FILED ON FORM 10-Q FOR THE PERIOD ENDED MARCH 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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