



## Avid Finishes 2004 with Record Quarter and Year

TEWKSBURY, Mass.--(BUSINESS WIRE)--Feb. 3, 2005--Avid Technology, Inc. (NASDAQ: AVID) today reported record revenues of \$175.0 million for the three months ended December 31, 2004 - a 37% increase over the \$127.3 million generated in the corresponding quarter in 2003. For the year ended December 31, 2004, Avid reported record revenues of \$589.6 million, up 25% from \$471.9 million in 2003. This annual revenue growth rate is Avid's highest since 1995, the year it acquired Digidesign.

"It's been a fantastic year across all of our major markets, with strong results in our video postproduction, broadcast, and audio businesses contributing to Avid's highest annual revenue growth rate in nine years," said David Krall, Avid's president and chief executive officer. "The postproduction industry, where our tools are already used by the lion's share of industry professionals, is undergoing a significant transition to HD. We experienced healthy demand for our new Media Composer® Adrenaline™ HD and Avid Xpress® Pro HD systems, which began shipping in December, and now offer HD capabilities across our entire Avid DNA™ product line. We also had a solid quarter in broadcast, finishing the year with over 100 deals signed, bringing the total number of Avid® digital broadcast conversions either under way or completed to more than 250. Lastly, our fourth quarter audio revenues grew by 70% year over year, with Digidesign successfully expanding its professional audio mixing business and entering the live sound market, and M-Audio delivering its first full quarter of results as a part of Avid in Q4."

GAAP operating profit for the fourth quarter of 2004 was \$20.1 million compared to \$14.9 million for the same quarter in 2003. GAAP net income for the quarter was \$22.5 million, or \$0.61 per diluted share, compared to GAAP net income of \$15.8 million, or \$0.47 per diluted share, for the corresponding quarter in 2003. Excluding non-recurring tax benefits, acquisition-related stock-based compensation and amortization, restructuring charges and a non-cash charge related to the impairment of intangible assets, pro forma non-GAAP net income for the fourth quarter was \$23.5 million, or \$0.64 per diluted share, compared to pro forma non-GAAP net income of \$16.9 million, or \$.50 per diluted share, in the fourth quarter of 2003.

GAAP operating profit for 2004 was \$68.8 million, compared to \$39.6 million in 2003. GAAP net income for 2004 was \$71.7 million, or \$2.05 per diluted share, compared to GAAP net income of \$40.9 million, or \$1.25 per diluted share, for 2003. Excluding non-recurring tax benefits, acquisition-related stock-based compensation and amortization, restructuring charges, expenses related to the settlement of a lawsuit and a non-cash charge related to the impairment of intangible assets, pro forma non-GAAP net income for 2004 was \$74.9 million, or \$2.14 per diluted share, compared to \$44.9 million, or \$1.37 per diluted share, for 2003.

### Use of Non-GAAP Financial Measures

The pro forma operating results listed above are "non-GAAP financial measures" under the rules of the Securities and Exchange Commission ("SEC"). We have included this information because we believe it is a meaningful measure of our normalized operating performance and will assist investors in understanding our results of operations on a comparative basis. This pro forma 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 use this information internally to help our management more accurately assess the ongoing nature of our operations and measure our performance on a comparative basis.

### Conference Call

A conference call to discuss Avid's fourth quarter 2004 financial results and the company's outlook for 2005 will be held today, February 3 at 5:00 p.m. EST. The call will be open to the public. The conference call can be accessed by dialing (719) 457-2649 and referencing confirmation code 8462916. The call and subsequent replay will also be available on Avid's Web site. To listen via this alternative, go to the Investors page under the Company menu at [www.avid.com](http://www.avid.com) for complete details 10-15 minutes prior to the start of the conference call.

The above release includes a forward-looking statement, as defined by the Private Securities Litigation Reform Act of 1995, about Avid's future performance. There are a number of factors that could cause actual events or results to differ materially from that indicated by such forward-looking statement, such as the competitive market in which Avid operates, market acceptance of Avid's existing and new products, Avid's ability to anticipate customers' needs and the other factors set forth under the caption "Certain Factors That May Affect Future Results" in Avid's Form 10-Q for the quarter ended September 30, 2004, and other filings with the SEC. In addition, the forward-looking statement contained herein represents 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 this forward-looking statement 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](http://www.avid.com).

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#### AVID TECHNOLOGY, INC

##### Condensed Consolidated Statements of Operations

(unaudited - in thousands, except for share and per share data)

	GAAP		NON - GAAP	
	Three Months Ended December 31, 2004		Three Months Ended December 31st, 2004	
	2003		2003	
Revenue				
Product	\$158,590	\$115,146	\$158,590	\$115,146
Service	16,381	12,182	16,381	12,182
Total Revenue	174,971	127,328	174,971	127,328
Cost of Revenue				
Product	67,338	46,414	67,338	46,414
Service	9,807	7,340	9,807	7,340
Amortization of intangible assets	281	-	-	-
Total Cost of Revenue	77,426	53,754	77,145	53,754
Gross Profit	97,545	73,574	97,826	73,574
Operating Expenses				
Research and development	25,812	21,719	25,812	21,719
Marketing and selling	38,435	28,733	38,435	28,733
General and administrative	9,469	6,576	9,469	6,576
Stock-based compensation (Note A)	865	-	-	-
Restructuring and other costs, net	-	1,335	-	-
Amortization of intangible assets	1,665	341	-	-
Impairment of intangible				

assets	1,187	-	-	-
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Total Operating Expense	77,433	58,704	73,716	57,028
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Operating income	20,112	14,870	24,110	16,546
Interest and other income, net	653	544	653	544
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Income before income taxes	20,765	15,414	24,763	17,090
Provision for income taxes	1,313	200	1,313	200
Non-recurring tax benefits	(3,062)	(550)	-	-
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Net Income	\$22,514	\$15,764	\$23,450	\$16,890
	=====	=====	=====	=====
Net income per common share - basic	\$0.66	\$0.51	\$0.68	\$0.55
Net income per common share - diluted	\$0.61	\$0.47	\$0.64	\$0.50
Weighted average common shares outstanding - basic	34,355	30,764	34,355	30,764
Weighted average common shares outstanding - diluted	36,751	33,864	36,751	33,864

#### Note

- A. Stock based compensation relates primarily to stock options issued as part of the acquisition of M-Audio.

Reconciliation of Non-GAAP net income to GAAP net income:	Three months ended December 31,	
	2004	2003
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Non-GAAP net income	\$23,450	\$16,890
Stock-based compensation	(865)	-
Restructuring and other costs, net	-	(1,335)
Amortization of intangible assets	(1,946)	(341)
Impairment of intangible assets	(1,187)	-
Tax refunds and benefits	3,062	550
	-----	-----
GAAP net income	\$22,514	\$15,764
	=====	=====

AVID TECHNOLOGY, INC  
Condensed Consolidated Statements of Operations  
(unaudited - in thousands, except for share and per share data)

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GAAP

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NON - GAAP

	Twelve Months Ended December 31, 2004		Twelve Months Ended December 31, 2003	
Revenue				
Product	\$528,463	\$425,403	\$528,463	\$425,403
Service	61,142	46,509	61,142	46,509
Total Revenue	589,605	471,912	589,605	471,912
Cost of Revenue				
Product	220,246	183,304	220,246	183,304
Service	34,842	26,069	34,842	26,069
Amortization of intangible assets	408	-	-	-
Total Cost of Revenue	255,496	209,373	255,088	209,373
Gross Profit	334,109	262,539	334,517	262,539
Operating Expenses				
Research and development	94,808	85,552	94,808	85,552
Marketing and selling	135,380	109,704	135,380	109,704
General and administrative	28,925	23,208	28,925	23,208
Stock-based compensation (Note A)	1,418	-	-	-
Restructuring and other costs, net	-	3,194	-	-
Amortization of intangible assets	3,641	1,316	-	-
Impairment of intangible assets	1,187	-	-	-
Total Operating Expense	265,359	222,974	259,113	218,464
Operating income	68,750	39,565	75,404	44,075
Interest and other income, net	2,389	1,874	2,389	1,874
Legal settlement	(1,050)	-	-	-
Income before income taxes	70,089	41,439	77,793	45,949
Provision for income taxes	2,894	1,100	2,894	1,100
Non-recurring tax benefits	(4,506)	(550)	-	-
Net Income	\$71,701	\$40,889	\$74,899	\$44,849
Net income per common share - basic	\$2.21	\$1.40	\$2.31	\$1.54
Net income per common share - diluted	\$2.05	\$1.25	\$2.14	\$1.37
Weighted average common shares outstanding - basic	32,485	29,192	32,485	29,192
Weighted average common shares				

outstanding - diluted	35,003	32,653	35,003	32,653
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# Note

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A. Stock based compensation relates primarily to stock options issued as part of the acquisition of M-Audio.

## Reconciliation of Non-GAAP

net income to GAAP net income:	Year ended December 31,	
	2004	2003
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Non-GAAP net income	\$74,899	\$44,849
Stock-based compensation	(1,418)	-
Restructuring and other costs, net	-	(3,194)
Amortization of intangible assets	(4,049)	(1,316)
Impairment of intangible assets	(1,187)	-
Tax refunds and benefits	4,506	550
Legal settlement	(1,050)	-
	-----	-----
GAAP net income	\$71,701	\$40,889
	=====	=====

## AVID TECHNOLOGY, INC.

### Condensed Consolidated Balance Sheets (unaudited - in thousands)

	December 31,	December 31,
	2004	2003
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#### ASSETS:

##### Current assets:

Cash and marketable securities	\$	155,419	\$	196,309
Accounts receivable, net of allowances of \$9,334 and \$9,161 at December 31, 2004 and 2003, respectively		97,536		69,230
Inventories		53,946		38,292
Prepaid and other current assets		19,407		13,181
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Total current assets		326,308		317,012

Property and equipment, net		29,092		23,223
Acquisition-related intangible assets, net		46,884		1,815
Goodwill		165,803		3,335
Other assets		7,384		2,734
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Total assets	\$	575,471	\$	348,119
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#### LIABILITIES AND STOCKHOLDERS' EQUITY:

##### Current liabilities:

Accounts payable	\$	26,517	\$	15,755
Accrued expenses and other current liabilities		74,727		59,709

Deferred revenue and deposits	48,680	44,943
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Total current liabilities	149,924	120,407
Long term liabilities, less current portion	926	607
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Total liabilities	150,850	121,014
Total stockholders' equity	424,621	227,105
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Total liabilities and stockholders' equity	\$ 575,471	\$ 348,119
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