



Avid Reports Second Quarter Results

TEWKSBURY, Mass.--(BUSINESS WIRE)--July 21, 2005--Avid Technology, Inc. (NASDAQ: AVID) today reported revenues of \$160.1 million for the three months ended June 30, 2005 compared to \$139.9 million for the same period in 2004. GAAP net income for the quarter was \$13.6 million, or \$.37 per diluted share compared to \$15.5 million, or \$.45 per diluted share, in the second quarter of 2004. Excluding acquisition-related amortization and related tax benefits and acquisition-related stock-based compensation, non-GAAP net income for the second quarter of 2005 was \$15.9 million, or \$.43 per diluted share, compared to non-GAAP net income of \$16.0 million, or \$.47 per diluted share in the corresponding quarter of 2004.

"This quarter's results were negatively impacted by new product delays in our core broadcast markets as well as the negative effects of foreign currency movements," said David Krall, Avid's president and chief executive officer. "These product delays have shifted out revenues in our broadcast business, which we had expected to, but were unable to, offset with additional revenues from other areas of our business. Nevertheless, we are encouraged that the market demand for our broadcast products remains robust, as indicated by our sequential increase in broadcast orders and backlog, and that the fundamental growth indicators in each of the markets we serve are still pointing in the right direction."

Revenues for the six months ended June 30, 2005, were \$326.1 million compared to revenues of \$267.3 million for the same period in 2004. GAAP net income for the first six months of 2005 was \$33.3 million, or \$.90 per diluted share, compared to GAAP net income of \$30.2 million, or \$.89 per diluted share, for the same period in 2004. Excluding acquisition-related amortization and related tax benefits, acquisition-related stock-based compensation, non-recurring tax benefits, and non-recurring expenses in the first quarter of 2004 related to the settlement of a lawsuit, non-GAAP net income for the six months ended June 30, 2005, was \$38.1 million, or \$1.03 per diluted share, compared to \$31.1 million, or \$.92 per diluted share, for the first six months of 2004.

Use of Non-GAAP Financial Measures

The non-GAAP operating results listed above are "non-GAAP financial measures" under the rules of the Securities and Exchange Commission. 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 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 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 second quarter 2005 financial results and the company's outlook for the balance of 2005 and the full year 2006 will be held today, July 21, at 5:00 p.m. EDT. The call will be open to the public. The conference call can be accessed by dialing (312) 461-9457 and referencing confirmation code 4241723. 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 for complete details 10-15 minutes prior to the start of the conference call.

The above release includes forward-looking statements, 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 statements, such as the competitive market in which Avid operates, market acceptance of Avid's existing and new products, Avid's ability to anticipate customer 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 March 31, 2005, and other filings with the SEC. 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 per share data)

	GAAP		NON - GAAP	
	Three Months Ended June 30th, 2005		Three Months Ended June 30th, 2004	
Revenue				
Product	\$141,434	\$124,269	\$141,434	\$124,269
Service	18,617	15,617	18,617	15,617
Total Revenue	160,051	139,886	160,051	139,886
Cost of Revenue				
Product	61,244	52,152	61,244	52,152
Service	10,027	8,843	10,027	8,843
Amortization of intangible assets	282	-	-	-
Total Cost of Revenue	71,553	60,995	71,271	60,995
Gross Profit	88,498	78,891	88,780	78,891
Operating Expenses				
Research and development	24,871	22,924	24,871	22,924
Marketing and selling	39,999	33,656	39,999	33,656
General and administrative	8,362	6,184	8,362	6,184
Stock-based compensation (Note A)	601	-	-	-
Amortization of intangible assets	1,593	549	-	-
Total Operating Expenses	75,426	63,313	73,232	62,764
Operating income	13,072	15,578	15,548	16,127
Interest and other income, net	1,179	595	1,179	595
Income before income taxes	14,251	16,173	16,727	16,722
Provision for income taxes	857	700	857	700
Non-recurring tax benefits	(172)	-	-	-
Net Income	\$13,566	\$15,473	\$15,870	\$16,022

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Net income per common share - basic	\$0.39	\$0.49	\$0.45	\$0.51
Net income per common share - diluted	\$0.37	\$0.45	\$0.43	\$0.47
Weighted average common shares outstanding - basic	35,177	31,623	35,177	31,623
Weighted average common shares outstanding - diluted	37,024	34,134	37,024	34,134

Note

- A. Stock based compensation, related to stock options issued as part of the acquisition of M-Audio, is comprised of \$38 of Research and development expense, \$163 of Marketing and selling expense, and \$400 of General and administrative expense, based on the departmental classification of the option holders.

Reconciliation of Non-GAAP net income to GAAP net income:

	Three months ended June 30,	
	2005	2004
Non-GAAP net income	\$15,870	\$16,022
Stock-based compensation	(601)	
Amortization of intangible assets	(1,875)	(549)
Non-recurring tax benefits	172	
GAAP net income	\$13,566	\$15,473
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AVID TECHNOLOGY, INC

Condensed Consolidated Statements of Operations

(unaudited - in thousands, except per share data)

	GAAP		NON - GAAP	
	Six Months Ended June 30th,		Six Months Ended June 30th,	
	2005	2004	2005	2004
Revenue				
Product	\$288,812	\$237,853	\$288,812	\$237,853
Service	37,240	29,407	37,240	29,407
Total Revenue	326,052	267,260	326,052	267,260
Cost of Revenue				
Product	122,141	98,666	122,141	98,666
Service	20,097	16,432	20,097	16,432
Amortization of intangible assets	563	-	-	-

Total Cost of Revenue	142,801	115,098	142,238	115,098
Gross Profit	183,251	152,162	183,814	152,162
Operating Expenses				
Research and development	49,495	45,216	49,495	45,216
Marketing and selling	79,454	63,510	79,454	63,510
General and administrative	16,335	12,070	16,335	12,070
Stock-based compensation (Note A)	1,372	-	-	-
Amortization of intangible assets	3,185	988	-	-
Total Operating Expenses	149,841	121,784	145,284	120,796
Operating income	33,410	30,378	38,530	31,366
Interest and other income, net	2,016	1,085	2,016	1,085
Legal settlement	-	1,050	-	-
Income before income taxes	35,426	30,413	40,546	32,451
Provision for income taxes	2,459	1,400	2,459	1,400
Non-recurring tax benefits	(345)	(1,200)	-	-
Net Income	\$33,312	\$30,213	\$38,087	\$31,051
Net income per common share - basic	\$0.95	\$0.96	\$1.09	\$0.99
Net income per common share - diluted	\$0.90	\$0.89	\$1.03	\$0.92
Weighted average common shares outstanding - basic	35,083	31,413	35,083	31,413
Weighted average common shares outstanding - diluted	37,154	33,912	37,154	33,912

Note

A. Stock based compensation, related to stock options issued as part of the acquisition of M-Audio, is comprised of \$93 of Research and development expense, \$355 of Marketing and selling expense, and \$924 of General and administrative expense, based on the departmental classification of the option holders.

Reconciliation of Non-GAAP net income to GAAP net income:

Six months ended	
June 30,	
2005	2004

Non-GAAP net income	\$38,087	\$31,051
Stock-based compensation	(1,372)	
Amortization of intangible assets	(3,748)	(988)
Non-recurring tax benefits	345	1,200
Legal settlement		(1,050)

GAAP net income	\$33,312	\$30,213
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AVID TECHNOLOGY, INC.
Condensed Consolidated Balance Sheets
(unaudited - in thousands)

	June 30, 2005	December 31, 2004
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ASSETS:		
Current assets:		
Cash and marketable securities	\$192,553	\$155,419
Accounts receivable, net of allowances of \$9,358 and \$9,334 at June 30, 2005 and December 31, 2004, respectively	99,132	97,536
Inventories	63,492	53,946
Prepaid and other current assets	22,652	19,407
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Total current assets	377,829	326,308
Property and equipment, net	29,976	29,092
Goodwill	167,211	165,803
Other intangible assets, net	43,139	46,884
Other assets	8,634	8,147
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Total assets	\$626,789	\$576,234
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LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$28,960	\$26,517
Accrued expenses and other current liabilities	71,781	74,727
Deferred revenues	59,244	48,680
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Total current liabilities	159,985	149,924
Long term liabilities, less current portion	1,465	1,689
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Total liabilities	161,450	151,613
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Stockholders' equity:		
Common stock	353	348
Additional paid-in capital	555,766	546,849
Accumulated deficit	(89,463)	(122,775)
Deferred compensation	(2,858)	(4,392)
Accumulated other comprehensive income	1,541	4,591
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Total stockholders' equity	465,339	424,621
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Total liabilities and stockholders'
equity

\$626,789	\$576,234
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