



SIGNATURE

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 hereunto duly authorized.

Date: January 26, 2006

AVID TECHNOLOGY, INC.  
(Registrant)

By: /s/ Carol E. Kazmer  
-----  
Carol E. Kazmer  
General Counsel

EXHIBIT INDEX

Exhibit	Description
99.1	Press release issued by the Registrant dated January 26, 2006.

Contact: Dean Ridlon, Investor Relations Director  
Phone: 978.640.5309  
Email: Investor\_Relations@avid.com

## Avid Finishes 2005 with Solid Fourth Quarter Results

Tewksbury, MA - January 26, 2006 - Avid Technology, Inc. (NASDAQ: AVID) today reported revenues of \$245.0 million for the three months ended December 31, 2005 compared to \$175.0 million for the same period in 2004. GAAP net income for the quarter was \$18.4 million, or \$.43 per diluted share compared to GAAP net income of \$22.5 million, or \$.61 per diluted share, in the fourth quarter of 2004.

Non-GAAP net income for the fourth quarter of 2005 was \$30.1 million, or \$.69 per diluted share, compared to non-GAAP net income of \$23.4 million, or \$.64 per diluted share in the corresponding quarter of 2004. In order to calculate non-GAAP net income, which the company believes is a more meaningful measure of normalized operating performance and will assist investors in understanding results of operations on a comparative basis, the following items have been excluded from fourth quarter 2005 GAAP net income:

- o Non-cash acquisition-related amortization totaling \$10.1 million.
- o Restructuring charges of \$1.2 million related to vacating a facility and reducing headcount in Montreal.
- o Acquisition-related stock-based compensation charges and net tax provisions, and other non-recurring tax benefits of \$394,000.

"We finished 2005 with a solid fourth quarter," said David Krall, Avid's president and chief executive officer. "Our professional video segment posted good results in the quarter led by strong sales of Avid(R) Symphony(TM) Nitris(R) into the postproduction market and Avid Unity ISIS(TM) to our broadcast customers. Audio had a strong quarter, with record sales of Digidesign's Mbox(R) portable micro-studio, continuing demand for digital mixing consoles for both the studio and live sound markets and new product launches by M-Audio for the home studio. Finally, our consumer segment delivered a profitable quarter, as Pinnacle Studio(TM) version 10 was available during the important holiday buying season."

Revenues for the year ended December 31, 2005, were \$775.4 million compared to revenues of \$589.6 million for 2004. GAAP net income for 2005 was \$34.0 million, or \$.86 per diluted share, compared to GAAP net income of \$71.7 million, or \$2.05 per diluted share, for 2004. Non-GAAP net income for the year ended December 31, 2005, was \$92.4 million, or \$2.34 per diluted share, compared to \$74.9 million, or \$2.14 per diluted share, for 2004. Non-GAAP net income in 2005 excludes a \$32.4 million in-process research and development charge related to the acquisition of Pinnacle Systems, Inc. on August 9, 2005, \$20.2 million of non-cash acquisition-related amortization, \$3.2 million of restructuring costs, \$2.2 million of stock-based compensation, and \$451,000 of non-recurring and other tax provisions.

### 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. These results have been included because management believes they are a meaningful measure of normalized operating performance and will assist investors in understanding the company's 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. Management uses this information internally to more accurately assess the ongoing nature of operations and to measure performance on a comparative basis.

### Conference Call

A conference call to discuss Avid's fourth quarter 2005 financial results and the company's outlook for 2006 will be held today, January 26, 2006, at 5:00 p.m. EST. The call will be open to the public, and can be accessed by dialing (913) 981-5509 and referencing confirmation code 2836084. 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](http://www.avid.com) for complete details 10-15 minutes prior to the start of the conference call.

The above release is subject to final audit and the completion and filing of our Annual Report on Form 10-K. 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 competitive factors, including pricing pressures, fluctuating currency exchange rates, delays in product shipments, market acceptance of Avid's existing and new products, Avid's ability to anticipate customer needs 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(R), Grammy(R), and Emmy(R) award-winning products and services, please visit: [www.avid.com](http://www.avid.com).

(C) 2006 Avid Technology, Inc. All rights reserved. Avid, Avid Unity ISIS, Digidesign, Film Composer, Mbox, Symphony, Nitris, Pinnacle Studio and Pro Tools are either registered trademarks or trademarks of Avid Technology, Inc. or its subsidiaries in the United States and/or other countries. Avid received an Oscar statuette representing the 1998 Scientific and Technical Award for the concept, design, and engineering of the Avid Film Composer(R) system for motion picture editing. Digidesign, Avid's audio division, received an Oscar statuette representing the 2003 Scientific and Technical Award for the design, development, and implementation of its Pro Tools(R) digital audio workstation. Oscar is a trademark and service mark of the Academy of Motion Picture Arts and Sciences. Emmy is a registered trademark of ATAS/NATAS. Grammy is a trademark of the National Academy of Recording Arts and Sciences, Inc. All other trademarks contained herein are the property of their respective owners.

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

	GAAP		NON - GAAP	
	Three Months Ended December 31,		Three Months Ended December 31,	
	2005	2004	2005	2004
Revenue				
Product	\$220,460	\$159,060	\$220,460	\$159,060
Service	24,511	15,911	24,511	15,911
Total Revenue	244,971	174,971	244,971	174,971
Cost of Revenue				
Product	104,112	67,338	104,112	67,338
Service	13,590	9,807	13,590	9,807
Amortization of intangible assets	6,610	281	-	-
Total Cost of Revenue	124,312	77,426	117,702	77,145
Gross Profit	120,659	97,545	127,269	97,826
Operating Expenses				
Research and development	32,080	25,831	32,080	25,831
Marketing and selling	49,782	36,519	49,782	36,519
General and administrative	13,992	11,413	13,992	11,413
Stock-based compensation (Note A)	333	818	-	-
Amortization of intangible assets	3,465	1,665	-	-
Impairment of intangible assets	-	1,187	-	-
Restructuring charges	1,158	-	-	-
Total Operating Expenses	100,810	77,433	95,854	73,763
Operating income	19,849	20,112	31,415	24,063
Interest and other income (expense), net	1,851	653	1,851	653
Income before income taxes	21,700	20,765	33,266	24,716
Provision for income taxes	3,214	1,313	3,214	1,313
Non-recurring and other tax provision (benefits)	61	(3,062)	-	-
Net Income	\$18,425	\$22,514	\$30,052	\$23,403
Net income per common share - basic	\$0.44	\$0.66	\$0.72	\$0.68
Net income per common share - diluted	\$0.43	\$0.61	\$0.69	\$0.64
Weighted average common shares outstanding - basic	41,859	34,355	41,859	34,355
Weighted average common shares outstanding - diluted	43,309	36,751	43,309	36,751

Note

A. For the three month period ended 12/31/2005, stock based compensation related to stock options issued as part of the acquisition of M-Audio is comprised of \$29 of Research and development expense, \$110 of Marketing and selling expense, and \$194 of General and administrative expense, based on the departmental classification of the option holders.

For the three month period ended 12/31/2004, stock based compensation related to stock options issued as part of the acquisition of M-Audio is comprised of \$14 of Research and development expense, \$249 of Marketing and selling expense, and \$555 of General and administrative expense, based on the departmental classification of the option holders.

Reconciliation of Non-GAAP net income to GAAP net income (loss):  
Three months ended December 31,

	2005	2004
	-----	-----
Non-GAAP net income	\$ 30,052	\$ 23,403
Stock-based compensation	(333)	(818)
Amortization of intangible assets	(10,075)	(1,946)
Impairment of intangible assets	-	(1,187)
Restructuring charges	(1,158)	-
Non-recurring and other tax provisions (benefit),	(61)	3,062
	-----	-----
GAAP net income	\$18,425	\$22,514
	=====	=====

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

	GAAP		NON - GAAP	
	Twelve Months Ended December 31,		Twelve Months Ended December 31,	
	2005	2004	2005	2004
Revenue				
Product	\$692,787	\$528,463	\$692,787	\$528,463
Service	82,656	61,142	82,656	61,142
Total Revenue	775,443	589,605	775,443	589,605
Cost of Revenue				
Product	308,386	220,246	308,386	220,246
Service	45,274	34,842	45,274	34,842
Amortization of intangible assets	11,027	408	-	-
Total Cost of Revenue	364,687	255,496	353,660	255,088
Gross Profit	410,756	334,109	421,783	334,517
Operating Expenses				
Research and development	111,176	94,827	111,176	94,827
Marketing and selling	170,185	129,720	170,185	129,720
General and administrative	45,744	34,613	45,744	34,613
Stock-based compensation (Note A)	2,163	1,371	-	-
In-process research & development	32,390	-	-	-
Amortization of intangible assets	9,194	3,641	-	-
Impairment of intangible assets	-	1,187	-	-
Restructuring charges	3,155	-	-	-
Total Operating Expenses	374,007	265,359	327,105	259,160
Operating income	36,749	68,750	94,678	75,357
Interest and other income (expense), net	5,586	2,389	5,586	2,389
Legal settlement	-	(1,050)	-	-
Income before income taxes	42,335	70,089	100,264	77,746
Provision for income taxes	7,904	2,894	7,904	2,894
Non-recurring and other tax provision (benefits)	451	(4,506)	-	-
Net Income	\$33,980	\$71,701	\$92,360	\$74,852
Net income per common share - basic	\$0.90	\$2.21	\$2.45	\$2.30
Net income per common share - diluted	\$0.86	\$2.05	\$2.34	\$2.14
Weighted average common shares outstanding - basic	37,762	32,485	37,762	32,485
Weighted average common shares outstanding - diluted	39,517	35,003	39,517	35,003

Note

For the twelve month period ended 12/31/2005, stock based compensation related to stock options issued as part of the acquisition of M-Audio is comprised of \$158 of Research and development expense, \$602 of Marketing and selling expense, and \$1,403 of General and administrative expense, based on the departmental classification of the option holders.

For the twelve month period ended 12/31/2004, stock based compensation related to stock options issued as part of the acquisition of M-Audio is comprised of \$113 of Research and development expense, \$403 of Marketing and selling expense, and \$855 of General and administrative expense, based on the departmental classification of the option holders.

Reconciliation of Non-GAAP net income to GAAP net income:  
Twelve months ended December 31,

	2005	2004
	-----	-----
Non-GAAP net income	\$ 92,360	\$ 74,852
Stock-based compensation	(2,163)	(1,371)
In-process research & development	(32,390)	-
Amortization of intangible assets	(20,221)	(4,049)
Impairment of intangible assets	-	(1,187)
Restructuring charges	(3,155)	-
Legal settlement	-	(1,050)
Non-recurring and other tax provisions (benefit),	(451)	4,506
	-----	-----
GAAP net income	\$ 33,980	\$ 71,701
	=====	=====

AVID TECHNOLOGY, INC.  
Condensed Consolidated Balance Sheets  
(unaudited - in thousands)

	December 31, 2005	December 31, 2004
	-----	-----
<b>ASSETS:</b>		
Current assets:		
Cash and marketable securities	\$ 238,431	\$ 155,419
Accounts receivable, net of allowances of \$22,232 and \$9,334 at December 31, 2005 and 2004, respectively	140,668	97,536
Inventories	96,845	53,946
Prepaid and other current assets	25,733	19,407
	-----	-----
Total current assets	501,677	326,308
Property and equipment, net	38,563	29,092
Goodwill	396,902	165,803
Other intangible assets, net	118,676	46,884
Other assets	6,228	8,147
	-----	-----
Total assets	\$1,062,046	\$ 576,234
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>		
Current liabilities:		
Accounts payable	\$ 43,227	\$ 26,517
Accrued expenses and other current liabilities	103,816	74,727
Deferred revenues and deposits	66,034	48,680
	-----	-----
Total current liabilities	213,077	149,924
Long term liabilities, less current portion	9,372	1,689
	-----	-----
Total liabilities	222,449	151,613
	-----	-----
Stockholders' equity:		
Common stock	421	348
Additional paid-in capital	928,703	546,849
Accumulated deficit	(88,795)	(122,775)
Deferred compensation	(1,830)	(4,392)
Accumulated other comprehensive income	1,098	4,591
	-----	-----
Total stockholders' equity	839,597	424,621
	-----	-----
Total liabilities and stockholders' equity	\$ 1,062,046	\$ 576,234
	=====	=====