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

May 14, 2003

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, 2003.

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

Very truly yours,

/s/ Ethan E. Jacks

Ethan E. Jacks
Chief Legal Officer

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, 2003

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: (1) 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), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes X No _____

The number of shares outstanding of the registrant's Common Stock as of May 6, 2003 was 28,300,873.

AVID TECHNOLOGY, INC.

FORM 10-Q

For the Quarterly Period Ended March 31, 2003

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

	Three Months Ended March 31, 2003	2002
Net revenues	$112,177	$92,009
Cost of revenues	52,227	47,715
Gross profit	59,950	44,294
Operating expenses:		
Research and development	21,699	19,818
Marketing and selling	25,264	22,966
General and administrative	5,345	4,513
Restructuring and other costs, net	1,783	
Amortization of intangible assets	293	346
Total operating expenses	54,384	47,643
Operating income (loss)	5,566	(3,349)
Other income, net	231	265
Income (loss) before income taxes	5,797	(3,084)
Provision for income taxes	300	600
Net income (loss)	$5,497	($3,684)
Net income (loss) per common share - basic	$0.20	($0.14)
Net income (loss) per common share - diluted	$0.18	($0.14)
Weighted average common shares outstanding - basic	27,604	26,029
Weighted average common shares outstanding - diluted	29,860	26,029

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

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

	March 31, 2003 (unaudited)	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$74,837	$62,174
Marketable securities	31,367	26,860
Accounts receivable, net of allowances of $10,246 and $10,614 at March 31, 2003 and December 31, 2002, respectively	68,386	65,942
Inventories	34,870	38,047
Deferred tax assets, net	652	663
Prepaid expenses	7,242	4,515
Other current assets	6,943	6,741
Total current assets	224,297	204,942
Property and equipment, net	24,916	25,731
Intangible assets, net	1,227	1,513
Goodwill	1,087	1,087
Other assets	2,598	2,530
Total assets	$254,125	$235,803
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$17,515	$24,297
Accrued compensation and benefits	13,880	13,425
Accrued expenses and other current liabilities	28,760	28,730
Income taxes payable	8,848	8,877
Deferred revenues	46,809	35,483
Total current liabilities	115,812	110,812
Long-term obligations under capital leases	1,088	1,427
Contingencies (Note 5)		
Stockholders' equity:		
Preferred stock		
Common stock	279	273
Additional paid-in capital	371,293	364,481
Accumulated deficit	(229,868)	(235,365)
Deferred compensation	(129)	(216)
Accumulated other comprehensive loss	(4,350)	(5,609)
Total stockholders' equity	137,225	123,564
Total liabilities and stockholders' equity	$254,125	$235,803

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

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

	Three Months Ended March 31, 2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$5,497	($3,684)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,086	3,612
Provision for doubtful accounts	194	
Compensation expense from stock grants and options	87	517
Equity in (income) loss of non-consolidated companies	16	(52)
Changes in operating assets and liabilities:		
Accounts receivable	(2,406)	(346)
Inventories	3,152	(3,298)
Prepaid expenses and other current assets	(2,848)	(807)
Accounts payable	(6,715)	1,282
Income taxes payable	(61)	(1,425)
Accrued expenses, compensation and benefits and other current liabilities	86	(5,520)
Deferred revenues	11,347	5,082
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	11,435	(4,639)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,874)	(3,222)
Payments for other long-term assets	(147)	
Dividend from non-consolidated company		59
Payments for business acquisition	(7)	
Purchase of marketable securities	(6,254)	(12,219)
Proceeds from sales of marketable securities	2,862	14,893
NET CASH USED IN INVESTING ACTIVITIES	(5,420)	(489)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of short-term debt	(151)	
Payment on note issued in connection with acquisition		(13,020)
Proceeds from issuance of common stock under employee stock plans	6,821	1,491
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	6,670	(11,529)
Effects of exchange rate changes on cash and cash equivalents	(22)	(65)
Net increase (decrease) in cash and cash equivalents	12,663	(16,722)
Cash and cash equivalents at beginning of period	62,174	45,613
Cash and cash equivalents at end of period	$74,837	$28,891

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 (collectively, "Avid" or the "Company"). These 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, 2002 on Form 10-K, which included all information and footnotes necessary for such presentation. Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation.

The Company's preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reflected in these financial statements include accounts receivable and sales allowances, inventory valuation and income tax valuation allowances. Actual results could differ from those estimates.

2. NET INCOME (LOSS) PER COMMON SHARE

Basic and diluted net income (loss) per share were as follows (in thousands, except per share data):

	Three Months Ended March 31,	
	2003	2002
Net income (loss)	$5,497	($3,684)
Weighted average common shares outstanding - basic	27,604	26,029
Weighted average potential common stock	2,256	
Weighted average common shares outstanding - diluted	29,860	26,029
Net income (loss) per common share - basic	$0.20	($0.14)
Net income (loss) per common share - diluted	$0.18	($0.14)
Common stock options and warrants that were considered anti-dilutive securities and excluded from the diluted net income (loss) per share calculations were as follows, on a weighted-average basis:	2,832	6,591

For the three months ended March 31, 2003 and 2002, certain stock options and warrants have been excluded from the diluted net income (loss) per share calculation as their effect would be anti-dilutive. For periods that the Company reports a net loss, all potential common stock is considered anti-dilutive; for periods when the Company reports net income, only potential common shares with purchase prices in excess of the Company's average common stock fair value for the related period are considered anti-dilutive.

3. INVENTORIES

Inventories consist of the following (in thousands):

	March 31, 2003	December 31, 2002
Raw materials	$13,321	$13,402
Work in process	1,318	2,697
Finished goods	20,231	21,948
	$34,870	$38,047

As of March 31, 2003 and December 31, 2002, the finished goods inventory included deferred costs of $11.7 million and $8.6 million, respectively, associated with product shipped to customers for which revenue had not yet been recognized. During the three months ended March 31, 2003, in connection with an intercompany transfer of assets resulting from a change in its selling model in Japan, the Company recorded a charge to cost of revenues of $0.3 million related to prior year inventory transactions.

4. ACCOUNTING FOR STOCK BASED COMPENSATION

The Company accounts for stock-based awards to employees using the intrinsic value method as prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, no compensation expense is recorded for options issued to employees in fixed amounts and with fixed exercise prices at least equal to the fair market value of the Company's common stock at the date of grant. When the exercise price of stock options granted to employees is less than the fair market value of common stock at the date of grant, the Company records that difference multiplied by the number of shares under option as deferred compensation, which is then amortized over the vesting period of the options. Additionally, deferred compensation is recorded for restricted stock granted to employees based on the fair market value of the Company's stock at date of grant less the amount paid, if any, for the stock by the employee and is amortized over the period during which the restrictions lapse. The Company reverses deferred compensation associated with options issued at below fair market value as well as restricted stock upon the cancellation of such options or shares for terminated employees. The Company follows the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," for employee awards. All stock-based awards to non-employees are accounted for at their fair value in accordance with SFAS No. 123.

The following table illustrates the effect on net income (loss) and income (loss) per share as if the Company had applied the fair value recognition provisions of SFAS No. 123, to stock-based employee awards (in thousands, except per share data).

	For the Three Months Ended March 31, 2003	2002
Net income (loss) as reported	$5,497	($3,684)
Add: Stock-based employee compensation expense included in reported net income (loss), net of related tax effects	15	93
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(3,301)	(2,953)
Pro forma net income (loss)	$2,211	($6,544)
Income (loss) per share:		
Basic-as reported	$0.20	($0.14)
Basic-pro forma	$0.08	($0.25)

Diluted-as reported	$0.18	($0.14)
Diluted-pro forma	$0.07	($0.25)

Under SFAS No. 123, the fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model and is amortized over the stock option's vesting period.

5. CONTINGENCIES

On March 11, 1996, Avid was named as a 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, and seeks injunctive relief, treble damages and costs, and attorneys' fees. The Company believes it has meritorious defenses to the complaint and intends to contest it vigorously. However, an adverse resolution of this litigation could have an 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 loss contingency.

In March 1999, Avid and Tektronix, Inc. were sued by Glen Holly Entertainment, Inc., a Tektronix distributor, claiming that Tektronix's discontinuance of the Tektronix Lightworks product line was the result of a strategic alliance by Tektronix and Avid. Glen Holly raised antitrust and common law claims against the Company and Tektronix, and sought lost future profits, treble damages, attorneys' fees, and interest. The anti-trust claims against the Company and Tektronix were dismissed by the United States District Court for the District of California on March 23, 2001, and the remaining common law claim against Avid was dismissed by stipulation and court order on April 6, 2001. Glen Holly is appealing the lower court's decision. All briefing on the appeal has been completed. The United States Court of Appeals for the Ninth Circuit heard oral arguments on October 9, 2002, but has not yet issued its decision. Avid views the complaint and appeal as without merit and will continue to defend itself vigorously. However, an adverse resolution of this litigation could have an 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.

Avid receives inquiries from time to time with regard to possible patent infringement claims. 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, intellectual property rights 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.

From time to time, the Company provides indemnification provisions in agreements with customers covering potential claims by third parties that Avid products infringe their intellectual property rights. Pursuant to these indemnification provisions, the Company agrees to indemnify customers for losses that they suffer or incur in connection with any valid U.S. patent or copyright infringement claim brought by a third party with respect to Avid products. These indemnification provisions generally offer perpetual coverage for infringement claims based upon the products covered by the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is theoretically unlimited; however, the Company has not incurred any material costs to defend lawsuits or settle claims related to these indemnification provisions. As a result, the Company believes the estimated fair value of these indemnification provisions is minimal.

As permitted under Delaware law, Avid has agreements whereby the Company indemnifies its officers and directors for certain events or occurrences while the officer or director is or was serving at its request in such capacity. The term of the indemnification period is for the officer's or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, Avid has mitigated the exposure through the purchase of directors and officers insurance, which is intended to limit the risk and enable the Company to recover all or a portion of any future amounts paid. As a result of this insurance policy coverage, the Company believes the estimated fair value of these indemnification agreements is minimal.

The Company has a stand by letter of credit at a bank that is used as a security deposit in connection with the Company's Daly City, California office space lease. In the event of default on this lease, the landlord would, as of March 31, 2003 be eligible to draw against this letter of credit to a maximum of $5.1 million, subject to an annual reduction of approximately $0.8 million but not below $2.0 million. The letter of credit will remain in effect at $2.0 million throughout the remaining lease period, which extends to September 2009. As of March 31, 2003, the Company was not in default of this lease.

The Company, through a third party, provides lease financing options to its customers, including distributors. During the terms of these leases, which are generally three years, the Company remains liable for any unpaid principal balance upon default by the end-user, but such liability is limited in the aggregate based on a percentage of initial amounts funded or, in certain cases, amounts of unpaid balances. At March 31, 2003 and December 31, 2002, Avid's maximum recourse exposure totaled approximately $16.4 million and $15.8 million, respectively. The Company records revenue from these transactions upon the shipment of products, provided that all other revenue recognition criteria are met, and maintains a reserve for estimated losses under this recourse lease program based on historical default rates. To date, the Company has not experienced significant losses under this lease financing program.

Avid provides warranty on hardware sold through its Video segment which generally mirrors the manufacturers' warranties. The Company charges the related material, labor and freight expense to cost of revenues in the period incurred. With respect to the Audio business, Avid provides warranty on externally sourced and internally developed hardware and records an accrual for the related liability based on historical trends and actual material and labor costs. The warranty period for all of the Company's products is generally 90 days to one year but can extend up to five years depending on manufacturer's warranty. As of March 31, 2003, the Company's product warranty liability was approximately $1.1 million.

6. COMPREHENSIVE INCOME (LOSS)

Total comprehensive income (loss), net of taxes, 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. The following is a summary of the Company's comprehensive income (loss), (in thousands):

	Three Months Ended March 31,	
	2003	2002
Net income (loss)	$5,497	($3,684)
Net changes in:		
Foreign currency translation adjustment	1,207	(465)
Unrealized gains on securities	52	
Total comprehensive income (loss)	$6,756	($4,149)

7. SEGMENT INFORMATION

The Company's organizational structure is based on strategic business units that offer various products to the principal markets in which the Company's products are sold. These business units equate to two reportable segments: Video and Film Editing and Effects, and Professional Audio. The Company does not track or report segment assets as part of the assessment of segment performance. The following is a summary of the Company's operations by reportable segment (in thousands):

	For the Three Months Ended March 31,	
	2003	2002
Video and Film Editing and Effects:		
Net revenues	$79,339	$59,749
Operating income (loss)	$5,120	($5,859)
Professional Audio:		
Net revenues	$32,838	$32,260
Operating income	$2,522	$2,856
Combined Segments:		
Net revenues	$112,177	$92,009
Operating income (loss)	$7,642	($3,003)

The following table reconciles operating income (loss) for reportable segments to total consolidated amounts for the quarters ended March 31, 2003 and 2002 (in thousands):

	For the Three Months Ended March 31,	
	2003	2002
Total operating income (loss) for reportable segments	$7,642	($3,003)
Unallocated amounts:		
Amortization of acquisition-related intangible assets	(293)	(346)
Restructuring and other costs, net	(1,783)	
Consolidated operating income (loss)	$5,566	($3,349)

8. RESTRUCTURING AND OTHER COSTS, NET

In December 2002, the Company recorded a charge of $3.3 million in connection with vacating excess space in our Tewksbury, Massachusetts; Daly City, California; and Montreal, Canada facilities. The portion of the charge related to Tewksbury ($0.5 million) resulted from a revision of the Company's estimate of the timing and amount of future sublease income associated with that facility for which a charge had previously been included in a 2001 restructuring. The remaining portion of the charge for Daly City and Montreal was a result of the Company's ceasing to use a portion of each facility in December 2002, and hiring real estate brokers to assist in finding subtenants.

In March 2003, the Company implemented a restructuring program under which 48 employees worldwide were terminated, and a leased facility in California was vacated. In connection with these actions, the Company recorded a $1.8 million restructuring charge during the first quarter of 2003. The charge included $1.2 million for severance and related costs for terminated employees and $0.6 million for facility vacancy costs, including a $0.4 million non-cash charge relating to the disposition of leasehold improvements.

The Company recorded the December 2002 and March 2003 charges in accordance with the guidance of Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"). SFAS 146 requires that a liability be recognized for an operating lease that is not terminated based on the remaining lease rental costs, measured at its fair value on a discounted cash flow basis, when the entity ceases using the rights conveyed by the operating lease. That amount is reduced by any estimated potential sublease rentals, regardless of whether the entity intends to enter into a sublease. Future changes in the fair value of the Company's obligations will be recorded through operating expenses.

The following table sets forth the activity in the restructuring accrual accounts for the three months ended March 31, 2003 (in thousands):

	Employee Related	Facilities Related	Total
Accrual balance at December 31, 2002	$433	$4,934	$5,367
Restructuring charge	1,177	641	1,818
Revisions of estimated liabilities	(35)		(35)
Cash payments	(427)	(445)	(872)
Accrual balance at March 31, 2003	$1,148	$5,130	$6,278

The Company expects that the majority of the remaining $1.1 million employee-related accrual balance will be expended over the next five months and will be funded from working capital. The majority of the facilities-related accrual represents estimated losses on long-term leases of space vacated as part of the restructuring actions from 1999 through 2003. The leases extend through 2010 unless the Company is able to negotiate an earlier termination.

9. RECENT ACCOUNTING PRONOUNCEMENTS

In November 2002, the Emerging Issues Task Force of the FASB reached a consensus on Issue 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables" ("EITF 00-21"). EITF 00-21 requires that for revenue arrangements with multiple deliverables, those deliverables be divided into separate units of accounting if the deliverables meet certain criteria as defined by EITF 00-21. Arrangement consideration is to be allocated among the separate units of accounting based on their relative fair values and revenue recognition decisions should be considered separately for each separate unit of accounting. EITF 00-21 is effective for all arrangements entered into in fiscal periods beginning after June 15, 2003, with early adoption permitted. The Company is currently evaluating the scope of EITF 00-21 but believes that the Company's multiple element arrangements fall within the scope of SOP 97-2 and therefore, EITF 00-21 will not be applicable to the Company.

10. SUBSEQUENT EVENT

In April 2003, Avid acquired the assets of Rocket Network, Inc., a developer of internet media collaboration and delivery products for audio and video media, for a cash payment of approximately $0.5 million.

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

OVERVIEW

We develop, market, sell and support a wide range of software and hardware for digital media production, management and distribution. Digital media are video, audio or graphic elements in which the image, sound or picture is recorded and stored as digital values, as opposed to analog, or tape-based, signals. Our diverse range of product and service offerings enables customers to "Make, Manage and Move Media."

Make Media. We offer digital, non-linear video and film editing systems that enable customers to manipulate moving pictures and sound in a faster, easier, more creative, and more cost-effective manner than using traditional analog tape-based systems. (Non-linear systems allow editors to access material instantaneously rather than requiring them to work sequentially.) To complement these non-linear editing systems, Softimage, a subsidiary of Avid, develops a range of 3D and special effects software, which allows professionals in the video and film post-production and broadcast markets and other industries to create graphics and special effects for feature films, television shows, video games, advertising, and news programs. Our Professional Audio segment, Digidesign, offers digital audio software applications and hardware systems for music, film, television, video, broadcast, streaming media, and web development. These systems are based upon proprietary Digidesign/Avid audio hardware, software, and control surfaces, and allow users to record, edit, mix, process, and master audio in an integrated manner.

Manage Media. We provide complete network, storage, and database solutions based on our Avid Unity MediaNetwork technology. This technology enables users to simultaneously share and manage media assets throughout a project or organization. The ability to effectively manage digital media assets is a critical component of success for many broadcast and media companies with multiple nonlinear editing workstations in a range of geographic locations. As a result, professionals can collaborate seamlessly on all production elements, and streamline the process for cost-effectively delivering compelling media experiences and quickly "re-purposing" or finding new uses or markets for media assets.

Move Media. We offer products that allow our customers to distribute media over multiple platforms - including air, cable or satellite, or through the Internet. In addition, we provide technology for playback directly to air for broadcast television applications. As we believe that the Internet will eventually become a critical content distribution channel, many of our products support the broadcast of streaming Internet video.

Our products are used worldwide in production and post-production facilities; film studios; network, affiliate, independent and cable television stations; recording studios; advertising agencies; government and educational institutions; corporate communication departments; and game developers and Internet professionals. Projects produced using our products have been honored with Oscar(R), Emmy(R), and Grammy(R) awards, as well as a host of other international awards. (Oscar is a registered trademark and service mark of the Academy of Motion Picture Arts and Sciences. Emmy is a registered trademark of ATAS/NATAS. Grammy is a registered trademark of The National Academy of Recording Arts and Sciences, Inc.)

RESULTS OF OPERATIONS

Net Revenues

Our net revenues are derived mainly from the sales of computer-based digital, non-linear media editing systems and related peripherals, licensing of related software, and sales of related software maintenance contracts. This market has been, and we expect it to continue to be, highly competitive. A significant portion of these revenues is generated by sales near the end of each quarter, which can impact our ability to accurately forecast revenues on a quarterly basis. Increasingly, revenues are also being derived from sales of "solutions" encompassing multiple products and networking capabilities that enable users to share and manage media throughout a project or organization. Such solution sales may include training and installation services, as well as workflow management assistance, to be provided by us or a third party. Depending upon the complexity of the arrangement and the level of our involvement, the revenues resulting from these solution sales may be deferred for one or more quarters while the services are being performed.

Net revenues increased 21.9% to $112.2 million in the quarter ended March 31, 2003 from $92.0 million in the same quarter of 2002. This increase primarily reflected increased demand across most product families in our Video and Film Editing and Effects ("Video") business driven in part by an increase in solution sales referenced above, although we did experience a decline in revenue from our Media Composer product family. Revenue from our Professional Audio ("Audio") segment increased slightly. Revenue from the combined segments includes a positive currency effect of approximately $5.2 million as compared to the quarter ended March 31, 2002 (assuming revenues for the quarter ended March 31, 2002 were expressed at current quarter exchange rates).

Net revenues derived through indirect channels were approximately 79% and 82% of net revenue for each of the three-month periods ended March 31, 2003 and 2002, respectively.

Sales in the Americas accounted for 55% of each of our first quarter 2003 and 2002 net revenues. Americas sales for the three months ended March 31, 2003 increased by $10.9 million or 21% compared to the same period in 2002. Sales in the Europe and Asia Pacific regions on a combined basis accounted for 45% of each of our first quarter 2003 and 2002 net revenues. Europe and Asia Pacific sales for the three months ended March 31, 2003 increased by $9.3 million or 22% compared to the same period in 2002.

Gross Profit

Cost of revenues consists primarily of costs associated with the procurement of components; the assembly, testing, and distribution of finished products; warehousing; post-sales customer support costs; royalties for third-party software included in the products; 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 and software included in the systems sold, the offering of product upgrades, price discounts and other sales promotion programs, the distribution channels through which products are sold, the timing of new product introductions, sales of aftermarket hardware products such as disk drives, and currency exchange rate fluctuations.

Gross margin increased to 53.4% in the first quarter of 2003 compared to 48.1% in the same period of 2002. Margins in both the Video and Audio segments improved, with the most significant factor being a positive impact from currency exchange rates -- specifically, there was a positive currency effect on revenues as described above, with no offsetting impact on cost of revenues because most of our manufacturing costs are transacted in U.S. dollars. The Video segment gross margin also benefited from lower manufacturing costs and a more favorable product mix in Europe, partially offset by price reductions and discounting. The Audio segment gross margin was adversely affected by a change in product mix and increased material costs, partially offset by a decrease in revenue reserve requirements related to promotional programs for which there is minimal cost.

Research and Development

Research and development expenses increased by $1.9 million (9.5%) in the first quarter of 2003 compared to the same period in 2002. The increase was primarily the result of personnel-related expenditures and consulting fees associated with the development of new products. Research and development expenses decreased as a percentage of net revenues to 19.3% in the first quarter of 2003 from 21.5% for the same period in 2002 due to the increased revenue base.

Marketing and Selling

Marketing and selling expenses increased by $2.3 million (10.0%) in the first quarter of 2003 compared to the same period in 2002 primarily in the area of personnel-related expenditures, in particular commissions and bonuses that are variable depending upon revenue levels. Marketing and selling expenses decreased as a percentage of net revenues to 22.5% in the first quarter of 2003 from 25.0% for the same period in 2002 due to the increased revenue base. We expect the second quarter 2003 expenses for marketing and selling to be higher than those incurred in the first quarter due to expenses associated with the National Association of Broadcasters trade show, which occurs in the second quarter.

General and Administrative

General and administrative expenses increased by $0.8 million (18.4%) in the first quarter of 2003 compared to the same period in 2002. This increase was primarily due to higher fees for professional legal services and accruals for incentive compensation. General and administrative expenses decreased slightly as a percentage of net revenues to 4.8% in the first quarter of 2003 from 4.9% for the same period in 2002.

Restructuring and Other Costs, Net

In March 2003, we implemented a restructuring program under which 48 employees worldwide were terminated, and a leased facility in California was vacated. In connection with these actions, we recorded a $1.8 million restructuring charge during the first quarter of 2003. The charge included approximately $1.2 million for severance and related costs for terminated employees and $0.6 million for facility vacancy costs, including a $0.4 million non-cash charge relating to the disposition of leasehold improvements.

Amortization of Intangible Assets

During 2002, 2001 and 2000, we recorded intangible assets associated with acquiring the following companies: iKnowledge, Inc. in 2002; iNews, LLC in 2001; and The Motion Factory, Inc. in 2000. In connection with these acquisitions, we allocated approximately $4.2 million to completed technologies which are being amortized over periods ranging from 3 to 4.5 years. Included in the operating results for each of the quarters ended March 31, 2003 and 2002 is amortization of these intangible assets of $0.3 million.

Other Income (Expense), Net

Other income (expense), net, consists primarily of interest income and interest expense. Other income (expense), net, for the first quarter 2003 decreased $0.1 million to $0.2 million as compared to the same period in 2002. The decrease was primarily due to a decrease in interest income during 2003 as a result of lower interest rates, partially offset by a decrease in interest expense due to the payment in full of our previously outstanding note to Microsoft in February 2002.

Provision for Income Taxes

We recorded a tax provision of $0.3 million and $0.6 million for the first quarter of 2003 and 2002 respectively. The provision for the first quarter of 2003 was substantially comprised of taxes payable by our foreign subsidiaries with only alternative minimum tax provided on anticipated U.S taxable profits. Regular federal income taxes resulting from anticipated U.S. profits have been offset by the utilization of deductions from acquisition-related temporary differences and net operating loss carry-forwards; the tax benefit of these items is reflected in a net reduction in the valuation allowance. However, due to the remaining level of deferred tax assets and the level of related historical taxable income, we have determined that the uncertainty regarding the realization of these assets is sufficient to warrant the continued establishment of a valuation allowance against our deferred tax assets.

The provision for the first quarter of 2002 was generally comprised of taxes payable by the Company's foreign subsidiaries with no tax benefit provided on the losses before income taxes in the U.S.

LIQUIDITY AND CAPITAL RESOURCES

We have funded our operations to date through both private and public sales of equity securities as well as through cash flows from operations. As of March 31, 2003, our principal sources of liquidity included cash, cash equivalents, and marketable securities totaling $106.2 million.

Net cash provided by operating activities was $11.4 million for the quarter ended March 31, 2003 compared to $4.6 million used in operating activities during the quarter ended March 31, 2002. During the quarter ended March 31, 2003, net cash provided by operating activities primarily reflects net income adjusted for depreciation and amortization as well as an increase in deferred revenue, partially offset by an increase in prepaid expenses and other current assets and a decrease in accounts payable. During the quarter ended March 31, 2002, net cash used in operating activities primarily reflects the net loss adjusted for depreciation and amortization as well as a decrease in accrued expenses, and increases in inventories and deferred revenue.

We purchased $1.9 million of property and equipment during the first quarter of 2003, compared to $3.2 million during the quarter ended March 31, 2002. In both of these periods, the purchases were primarily of hardware and software to support research and development activities and for our information systems.

During the three months ended March 31, 2003 and 2002, we received cash proceeds of $6.8 million and $1.5 million, respectively, from the issuance of common stock upon stock option exercises and under our employee stock purchase plan. In February 2002, we made a payment of $13.0 million in full satisfaction of our outstanding note to Microsoft, issued in connection with our 1998 Softimage acquisition.

We expect that the majority of the remaining $1.1 million employee-related restructuring accrual balance will be expended over the next five months and will be funded from working capital. We also have facility-related cash obligations of approximately $4.7 million as a result of losses to be incurred or expected to be incurred on subleases of space or lease vacancies. These payments will be made over the remaining terms of the leases, which have varying expiration dates through 2010, unless we are able to negotiate an earlier termination. All restructuring related payments will be funded through working capital.

We believe existing cash, cash equivalents, marketable securities and funds generated from operations will be sufficient to meet our cash requirements for at least the next 12 months. In the event we require additional financing, we believe that we will be able to obtain such financing; however, there can be no assurance that we would be successful in doing so, or that we could do so on favorable terms.

RECENT ACCOUNTING PRONOUNCEMENTS

In November 2002, the Emerging Issues Task Force of the FASB reached a consensus on Issue 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables" ("EITF 00-21"). EITF 00-21 requires that for revenue arrangements with multiple deliverables, those deliverables be divided into separate units of accounting if the deliverables meet certain criteria as defined by EITF 00-21. Arrangement consideration is to be allocated among the separate units of accounting based on their relative fair values and revenue recognition decisions should be considered separately for each separate unit of accounting. EITF 00-21 is effective for all arrangements entered into in fiscal periods beginning after June 15, 2003, with early adoption permitted. The Company is currently evaluating the scope of EITF 00-21 but believes that the Company's multiple element arrangements fall within the scope of SOP 97-2 and therefore, EITF 00-21 will not be applicable to the Company.

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS

Some of the statements in this Form 10-Q relating to our future performance constitute forward-looking statements. Such forward-looking statements are based upon management's current expectations and involve known and unknown risks. Realization of any of these risks may cause actual results to differ materially from the results described in the forward-looking statements. Certain of these risks are as follows:

Our future success will depend in part upon our ability to enhance our existing products and introduce new products in the digital editing market.

Our products, particularly the Media Composer family of products, have captured significant market share in our core digital video and film editing market. As such, future growth in this market could be limited and will depend in part upon our ability to introduce new features and functionality for Media Composer products, improve upon their price/performance, respond to competitive offerings, introduce and transition to new products, and adapt to new industry requirements and standards. Any delay or failure to develop these enhancements or to introduce other new products in this market could harm our business and reduce our operating results. At the same time, the introduction and transition to new products could have an impact on the market for our existing products, which could adversely affect our revenues and business.

The broadcast market is large, widely dispersed, and highly competitive, and we may not be successful in growing our customer base or predicting customer demand in this market.

We are currently building our presence in the broadcast market and have augmented our NewsCutter product offering with the Avid Unity for News products, and the server, newsroom, and browser products obtained in the Pluto and iNews acquisitions. The broadcast market is distinguished from our traditional Video business in that turn-key, fully integrated, complex "solutions" (including the configuration of unique workflows), rather than discrete point products, are frequently required by the customer. As a relatively new player in the broadcast market, we may encounter difficulties in establishing ourselves, creating compelling customer solutions, and developing a strong, loyal customer base.

Large, complex broadcast orders often require us to devote significant sales, manufacturing, installation, and support resources to ensure their successful and timely fulfillment. As the broadcast market converts from analog to digital, our strategy has been to build our broadcast solutions team in response to customer demand. To the extent that customer demand for our broadcast solutions exceeds our expectations, we may encounter difficulties in the short run meeting our customers' needs. Meanwhile, our competitors may devote greater resources to the broadcast market than we do, or may be able to leverage their market presence more effectively. If we are unsuccessful in capturing and maintaining a share of this digital broadcast market or in predicting and satisfying customer demand, our business and revenues could be adversely affected.

We have a significant share of the professional audio market, and therefore growth in this market will depend in part on our ability to successfully introduce new products.

Currently, products of our Digidesign division have captured a significant portion of the professional audio market. Digidesign's strong performance in recent years reflects a series of successful product introductions. Our future success will depend in part upon our ability to offer, on a timely and cost-effective basis, new audio products and enhancements of our existing audio products. The timely development of new or enhanced products is a complex and uncertain process, and we could experience design, manufacturing, marketing, or other difficulties that delay or prevent our development, introduction or marketing of new products or enhancements, which, in turn, could harm our business.

We are expanding our product line and offering solutions to new markets, and our future revenues depend in part on the success of this expansion.

Traditionally, we have been a point product company. Increasingly, we are providing end-to-end solutions for our customers. We are expanding our product line beyond our core video editing market to offer digital media production solutions to the broadcast news market (including cable and Internet news), the on-line film and video finishing market, and the emerging market for multimedia production tools (including the Internet and corporate markets).

Because these markets are evolving, we must anticipate our customers' future needs and introduce compelling new products, gain market acceptance, and establish appropriate distribution channels, support, and maintenance. To the extent that we fail to accurately anticipate our customers' needs, we may need to adjust our plans accordingly, which could cause delays, unexpected expenses, and reallocation of our resources, and which in turn could harm our business and reduce our operating results.

The markets for our products are competitive, and we expect competition to intensify in the future.

The digital video, audio, and animation markets are competitive, with limited barriers to entry, and are characterized by pressure to reduce prices, incorporate new features, and accelerate the release of new products. Many of our current and potential competitors have substantially greater financial, technical, distribution, support, or marketing resources than we do. Such competitors may use these resources to lower their product costs, allowing them to reduce prices to levels at which we could not operate profitably. Further, such competitors may be able to develop products comparable or superior to ours, or adapt more quickly to new technologies or evolving customer requirements. If we are unable to compete effectively in our target markets, our business and results of operations could suffer.

Competition in the 3-D market has increased dramatically since our acquisition of Softimage.

The 3-D market has changed significantly from the time we acquired our Softimage subsidiary in August 1998. While Softimage once dominated the higher end of the 3-D market (i.e., feature films and other intensive graphics applications), competitors' products have eroded Softimage's market share and have contributed to downward price pressure, which has resulted in reduced margins. In addition, we have experienced delays in introducing new products into the 3-D animation market. Finally, revenues in recent years have been increasingly derived from sales to the games industry and non-traditional markets. If these non-traditional markets were to slow or delay their purchases of 3-D tools, our revenues could be adversely affected. To the extent that these factors continue or worsen, our business could suffer.

We use independent firms and contractors to perform some of our product development activities.

Independent firms and contractors, some of whom are located in other countries, perform some of our product development activities. We generally own the software developed by these contractors. The use of independent firms and contractors, especially those located abroad, could expose us to risks related to governmental regulation, intellectual property ownership and rights, exchange rate fluctuation, political instability and unrest, natural disasters, and other risks, which could adversely impact our revenues.

We depend on a number of sole source suppliers.

We are dependent on a number of specific suppliers for certain key components of our products. We purchase these sole source components pursuant to purchase orders placed from time to time. We generally do not carry significant inventories of these sole source components and have no guaranteed supply arrangements. If any of our sole source vendors failed to supply or enhance such components, it could imperil our supply of these components. Similarly, if any of our vendors encountered technical, operating or financial difficulties, it could threaten our supply of these components. While we believe that alternative sources for these components could be developed, or our products could be redesigned to permit the use of alternative components, an interruption of our supply could damage our business and negatively affect our operating results.

Our products are complex and delays or difficulties in introducing new products could harm our business.

Our future success will depend in part on our ability to offer products that compete favorably with our competitors' products in terms of reliability, performance, ease of use, range of features, product enhancements, reputation, price, and training. Delays or difficulties in product development and introduction may harm our business. Our products are internally complex and, despite extensive testing and quality control, may contain errors or defects. Such errors or defects could cause us to issue corrective releases and could result in loss of revenues, increased product returns, lack of market acceptance, and damage to our reputation.

New product announcements by our competitors and by us could have the effect of reducing customer demand for our existing products. Some of our new products constitute upgrades of existing products. In the past, we have offered discounts on the price of such upgrades to existing customers, which, where appropriate, have been based upon the return of circuit boards and system keys. To the extent that such circuit boards and system keys are not returned, it can decrease the revenue generated by such new products. New product introductions require us to devote time and resources to training our sales channels in product features and target customers, with the temporary result that the sales channels have less time to devote to selling our products.

Qualifying and supporting our products on multiple computer platforms is time consuming and expensive.

Our software engineers devote significant time and effort to qualify and support our products on various computer platforms, including most notably, Microsoft's Windows and Apple's Macintosh platforms. Computer platform modifications and upgrades require additional time to be spent to ensure that our products will function properly. To the extent that the current configuration of the qualified and supported platforms changes or that we need to qualify and support new platforms, we could be required to expend valuable engineering resources, which is likely to adversely affect our operating results.

Our operating results are dependent on several unpredictable factors.

The revenue and gross profit from our products depend on many factors, including:

- mix of products sold;
- cost and proportion of third-party hardware included in such products;
- product distribution channels;
- timing of new product introductions;
- product offers and platform upgrades;
- price discounts and sales promotion programs;
- volume of sales of aftermarket hardware products;
- costs of swapping or fixing products released to the market with defects;
- provisions for inventory obsolescence;
- competitive pressure on product prices;
- costs incurred in connection with "solution" sales, which typically have longer selling and implementation cycles;
- timing and delivery of "solutions" to customers; and
- currency fluctuations.

Negative changes in any of these factors could reduce our revenue and gross profit.

Our operating costs are tied to projections of future revenues, which may differ from actual results.

Our operating expense levels are based, in part, on our expectations of future revenues. Such future revenues are difficult to predict. For example, the current worldwide economic slowdown has had an impact on our recent results, and if this slowdown persists, it could have the potential to lower our revenues. Additionally, a significant portion of our business occurs near the end of each quarter, which can impact our ability to precisely forecast revenues on a quarterly basis. Further, we are generally unable to reduce quarterly operating expense levels 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, our results of operations could be adversely affected.

Poor global macroeconomic conditions could disproportionately impact our industry.

As a result of unfavorable economic conditions and reduced capital spending, our customers in the media, broadcast and content-creation industries have delayed or reduced expenditures. The revenue growth and profitability of our business depends primarily on the overall demand for our products. Softening demand for our products resulting from ongoing economic uncertainty may result in decreased revenues or earnings levels or growth rates. If global economic conditions worsen, demand for our products may weaken, and our business and results of operations could suffer.

Terrorism, acts of war, and other international conflicts may seriously harm our business.

Terrorism or acts of war throughout the world may disrupt our business and harm our employees, facilities, suppliers, distributors, resellers or customers, which could significantly impact our revenue and operating results. The potential for future terrorist attacks and other threats to national security, and the responses of the United States and other countries to such attacks or threats, including the situation in Iraq, have created many economic and political uncertainties that could adversely affect our business and stock price in ways that cannot be predicted. We are predominantly uninsured for losses and interruptions caused by terrorism, acts of war, or other international conflicts.

If we fail to maintain strong relationships with our resellers, distributors, and suppliers, our ability to successfully deploy our products may be harmed.

We sell many of our products and services indirectly through resellers and distributors. The resellers and distributors of our Video segments products typically purchase software and "kits" from us, and other turn-key components from other vendors, in order to produce complete systems for resale. Any disruption to our resellers and distributors, or their third-party suppliers, could reduce our revenues. Moreover, we are increasingly distributing our products directly, which could put us in competition with our resellers and distributors and could adversely affect our revenues.

Most of the resellers and distributors of our Video products are not granted rights to return products after purchase, and actual product returns from them have been insignificant to date. However, our revenue from sales of Audio products is generally derived from transactions with distributors and authorized resellers that typically allow limited rights of return, inventory stock rotation and price protection. Accordingly, reserves for estimated returns, exchanges and credits for price protection are provided, as a reduction of revenues, upon shipment of the related products to such distributors and resellers, based upon our historical experience. To date, actual returns have not differed materially from management's estimates. However, if returns of our Audio segment products were to exceed estimated levels, our revenues and operating results could be adversely impacted.

If we become dependent on third-party hardware for our products, our operating results could be harmed.

Our gross profit margin varies from product to product depending primarily on the proportion and cost of third-party hardware included in each product. From time to time, we add functionality and features to our products. If we effect such additions through the use of more, or more costly, third-party hardware, and are not able to increase the price of such products to offset these increased costs, then our gross profit margin on these products could decrease.

Our future growth could be harmed if we lose the services of our key personnel.

Our success depends upon the services of a number of key current employees. The loss of the services of one or more of these key employees could harm our business. Our success also depends upon our ability to attract highly skilled new employees. Competition for such employees is intense in the industries and geographic areas in which we operate. If we are unable to compete successfully for such employees, our business could suffer.

Our websites could subject us to legal claims that could harm our business.

Some of our websites provide interactive information and services to our customers. To the extent that materials may be posted on and/or downloaded from these websites and distributed to others, we may be subject to claims for defamation, negligence, copyright or trademark infringement, personal injury, or other theories of liability based on the nature, content, publication or distribution of such materials. In addition, although we have attempted to limit our exposure by contract, we may also be subject to claims for indemnification by end users in the event that the security of our websites is compromised. As these websites are available on a worldwide basis, they could potentially be subject to a wide variety of international laws.

Regulations could be enacted that restrict our Internet initiatives.

As a result of the increasing use and popularity of the Internet, federal, state, and local authorities may adopt new laws and regulations governing the Internet. These laws and regulations may cover issues such as privacy, distribution, and content. The enactment of any additional laws or regulations could impede the growth of the Internet, harm our Internet initiatives, and place additional financial burdens on our business.

We could incur substantial costs protecting our intellectual property or defending against a claim of infringement.

Our ability to compete successfully and achieve future revenue growth depends, in part, on our ability to protect our proprietary technology and operate without infringing upon the rights of others. We rely upon a combination of patent, copyright, and trademark laws, trade secret, confidentiality procedures, and contractual provisions, as well as hardware security keys, to protect our proprietary technology. However, our means of protecting our proprietary rights may not be adequate. From time to time unauthorized persons have obtained, copied, and used information that we consider proprietary. Policing the unauthorized use of our proprietary technology is costly and time-consuming, and software piracy can be expected to be a persistent problem.

We occasionally receive communications suggesting that our products may infringe the intellectual property rights of others. It is our practice to investigate the factual basis of such communications and negotiate licenses where appropriate. While it may be necessary or desirable in the future to obtain licenses relating to one or more products or relating to current or future technologies, we may be unable to do so on commercially reasonable terms. If we are unable to protect our proprietary technology or unable to negotiate licenses for the use of others' intellectual property, our business could be impaired.

We are currently involved in various legal proceedings, including patent litigation. An adverse resolution of any such proceedings could harm our business and reduce our results of operations. See Note 5, " Contingencies" in our unaudited quarterly financial statements.

If we acquire other companies or businesses, we will be subject to risks that could hurt our business.

We periodically acquire businesses, form strategic alliances, or make debt or equity investments. The risks associated with such acquisitions, alliances, and investments include, among others, the difficulty of assimilating the operations and personnel of the target companies, the failure to realize anticipated return on investment, cost savings and synergies, and the diversion of management's time and attention. Such acquisitions, alliances, and investments often involve significant transaction-related costs and could cause short-term disruption to normal operations. If we are unable to overcome or counter these risks, it could undermine our business and lower our operating results.

Our operating results could be harmed by currency fluctuations.

A significant portion of our business is conducted in currencies other than the U.S. dollar. Accordingly, changes in the value of major foreign currencies (including the euro, the British pound, and the Japanese yen) relative to the value of the U.S. dollar could lower future revenues and operating results.

A portion of our sales are financed under a third party leasing program.

We have an established leasing program with a third party that allows certain of our customers who choose to do so to finance their purchases. If this program ended abruptly or unexpectedly, some of our customers might be unable to purchase our products unless or until they were able to arrange for alternative financing, and this could adversely impact our revenues.

Our stock price may continue to be volatile.

The market price of our common stock has been volatile in the recent past and could fluctuate substantially in the future based upon a number of factors, most of which are beyond our control. These factors include:

- changes in our quarterly operating results;
- shortfalls in revenues or earnings compared to securities analysts' expectations;
- changes in analysts' recommendations or projections;
- fluctuations in investors' perceptions of us or our competitors;
- shifts in the markets for our products;
- development and marketing of products by our competitors;
- changes in our relationships with suppliers, distributors, resellers, system integrators, or customers; and
- continuing effects of the worldwide economic downturn.

Further, the stock market has witnessed unusual volatility with respect to the price of equity securities of high technology companies generally, and this volatility has, at times, appeared to be unrelated to or disproportionate to any of the factors above.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Market Risk

Our primary exposures to market risk are the effect of volatility in currencies on asset and liability positions of our international subsidiaries that are denominated in foreign currencies, and the effect of fluctuations in interest rates earned on our cash equivalents and marketable securities.

Foreign Currency Exchange Risk

We generally derive approximately half of our revenues from customers outside the United States. This business is, for the most part, transacted through international subsidiaries and generally in the currency of the end-user customers. Therefore, we are exposed to the risks that changes in foreign currency could adversely impact our revenues, net income (loss) and cash flow. To hedge against the foreign exchange exposure of certain forecasted receivables, payables and cash balances of our foreign subsidiaries, we enter into foreign currency forward-exchange contracts. We record gains and losses associated with currency rate changes on these contracts in results of operations, offsetting gains and losses on the related assets and liabilities. The success of this hedging program depends on forecasts of transaction activity in the various currencies. To the extent that these forecasts are over- or understated during the periods of currency volatility, we could experience unanticipated currency gains or losses.

At March 31, 2003, we had $33.2 million of forward-exchange contracts outstanding, denominated in euros, British pounds, Japanese yen, Canadian dollars and Singapore dollars, as a hedge against forecasted foreign currency-denominated receivables, payables and cash balances. For the three-month period ended March 31, 2003, net losses of $1.2 million resulting from forward-exchange contracts partially offset net transaction and translation gains of $1.4 million on the related assets and liabilities. A hypothetical 10% change in foreign currency rates would not have a material impact on our results of operations, assuming the above-mentioned forecast of foreign currency exposure is accurate, because the impact on the forward contracts as a result of a 10% change would at least partially offset the impact on the asset and liability positions of our foreign subsidiaries.

Interest Rate Risk

At March 31, 2003, we held $106.2 million in cash, cash equivalents and marketable securities, including short-term U.S. and Canadian government and government agency obligations. Marketable securities are classified as "available for sale" and are recorded on the balance sheet at market value, with any unrealized gain or loss recorded in other comprehensive income (loss). A hypothetical 10% increase or decrease in interest rates would not have a material impact on the fair market value of these instruments due to their short maturity.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Controls and Procedures. We maintain disclosure controls and procedures designed to ensure that material information related to Avid, including our consolidated subsidiaries, is made known to management on a regular basis. Based on their evaluation of the Company's disclosure controls and procedures as of a date within 90 days of the filing of this Quarterly Report of Form 10-Q, the Company's chief executive officer and chief financial officer have concluded that our existing controls and procedures are adequate to enable us to comply with our disclosure obligations. We also established a disclosure committee, which consists of members of the Company's senior management, as well as financial and legal professionals employed by the Company.

Changes in Controls and Procedures. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these internal controls after the date of our most recent evaluation.

PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Description
99.1	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) REPORTS ON FORM 8-K. For the fiscal quarter ended March 31, 2003, the Company filed no current reports on Form 8-K.

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 14, 2003

By: /s/ Paul J. Milbury

Paul J. Milbury
Chief Financial Officer
(Principal Financial Officer)

Date: May 14, 2003

By: /s/ Carol L. Reid

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

CERTIFICATION

I, David A. Krall, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avid Technology, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrants' other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and to the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ David A. Krall

David A. Krall
President and Chief Executive Officer
(principal executive officer)

CERTIFICATION

I, Paul J. Milbury, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avid Technology, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrants' other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and to the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ Paul J. Milbury

Paul J. Milbury
Vice President and Chief Financial Officer
(principal financial officer)

EXHIBIT INDEX

Exhibit No.	Description
99.1	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 99.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report on Form 10-Q of Avid Technology, Inc. (the "Company") for the period ended March 31, 2003, as filed with the Securities Exchange Commission on the date hereof (the "Report"), the undersigned, David A. Krall, Chief Executive Officer of the Company, and Paul J. Milbury, Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 14, 2003

/s/ David A. Krall

David A. Krall
Chief Executive Officer

Dated: May 14, 2003

/s/ Paul J. Milbury

Paul J. Milbury
Chief Financial Officer