

FINANCIAL HIGHLIGHTS

(in thousands except per share and employee data)

Consolidated Statements of Operations

<i>Year ended December 31,</i>	2001	2000	1999
Net revenues	\$434,638	\$476,090	\$452,555
Gross margin	50.9%	50.8%	54.5%
Net income (loss)	(\$38,147)	(\$56,349)	(\$137,548)
Earnings per share – diluted	(\$1.49)	(\$2.28)	(\$5.75)
EBITDA* less restructuring and other costs, net	\$19,135	\$30,557	\$22,895

Consolidated Balance Sheet Data

<i>As of December 31,</i>	2001	2000	1999
Cash and marketable securities	\$72,961	\$83,206	\$72,805
Total assets	\$215,806	\$266,482	\$312,024
Total stockholders' equity	\$104,758	\$137,850	\$167,923
Employees at year end	1,543	1,629	1,591

*Earnings before interest, taxes, depreciation, and amortization

AVID EXECUTIVE TEAM



From Left to Right:

- David R. Froker** Vice President and General Manager, Digidesign
- Ethan E. Jacks** Vice President of Business Development and Chief Legal Officer
- Paul J. Milbury** Vice President and Chief Financial Officer
- Ann C. Smith** Vice President of Human Resources and Corporate Services
- Michael Stojda** Managing Director, Softimage
- David A. Krall** President and Chief Executive Officer
- Joseph Bentivegna** Vice President of Video Development and Operations
- Charles L. Smith** Vice President of Worldwide Sales, Marketing, and Service
- Carol L. Reid** Vice President and Corporate Controller
- Michael J. Rockwell** Chief Technology Officer



In a year dominated by economic uncertainty, Avid closed 2001 with strong performance, a healthy balance sheet, and confidence about the future. To counter the pressure of the slowing economy, we made adjustments during the year to reduce Avid's operating expenses, consolidate some of our manufacturing operations, and preserve our ability to invest in the future. Our proactive measures significantly reduced the economy's adverse financial impact, enabling Avid to deliver a fourth quarter profit of \$.05 per share.

We also delivered on a very ambitious product development roadmap for the year. New versions of Avid's core editing and finishing products – Avid® Xpress®, Symphony™, and Media Composer® – were flanked by exciting developments at the high and low ends of our product line. By shipping Avid|DS HD systems, Avid is helping professionals meet high-definition production mandates in Asia and facilitating the current push for the top 25 broadcasting markets in the United States to initiate digital television broadcasts.

Improvements to our Avid Xpress DV product fortified Avid's brand in the explosive low-end editing software market and received high marks, including *DV Magazine's* 2001 Award of Excellence.

With the cost of storing media on hard disk approaching that of tape sometime in the next few years, Avid is continuing to enhance its family of shared storage and media

management solutions. We expanded our total addressable market opportunity by improving the performance of our premier solution, Avid Unity™ MediaNet, and by introducing an entry-level solution, Avid Unity LANshare. Despite the slow economic year, our worldwide Avid Unity business grew by 20%.

Our pledge is to continue offering solutions that keep our customers on the leading edge of technology so they can focus on what they do best.

Our proactive measures significantly reduced the economy's adverse financial impact, enabling Avid to deliver a fourth quarter profit of \$.05 per share.

The need for connectivity, file sharing, and media management capabilities was most evident in broadcast news, a market poised to convert to digital production over the next several years. By acquiring iNews, LLC and improving our existing news editing, media browsing, and video serving systems, Avid is now helping broadcasters achieve

greater efficiencies with a wider range of scalable end-to-end solutions. In fact, Avid sold more broadcast news solutions in 2001 than over the past five years combined.

In 2001, Digidesign, our audio division, invested heavily to bring the Pro Tools®|HD system to market in January of 2002. The new enhancements more than double the audio mixing functionality in previous versions

of Pro Tools systems. This positions Digidesign to capitalize on significant opportunities that, until now, have only been available to analog-mixing console manufacturers.

We also introduced our next-generation 3D animation software, SOFTIMAGE®|XSI™ v2.0, to the rapidly growing animation and effects market. Customers are finding that with this new version they can be up to 40% more productive in creating special effects for film, television, video games, and Web sites.

Avid's success in 2001 is the result of a broader strategic effort to enhance the way professionals create, manage, and distribute media. Our pledge is to continue offering solutions that keep our customers on the leading edge of technology so they can focus on what they do best – educating, informing, and entertaining the world. It's in this spirit that we look forward to generating lasting value for all our shareholders, suppliers, and employees for years to come.

David Krall
President and Chief Executive Officer

A disruptive technology is one that completely changes how people do things. Email, for example, is one of the greatest disruptive technologies in today's modern office environment. More than 14 years ago, Avid introduced a disruptive technology – nonlinear (or computer-based) video editing. Since then, Avid's brand has become synonymous with digital media production, and the process for creating the feature films, TV shows, newscasts, hit singles, music videos, computer games, and streaming media we see and hear has never been the same.

The opportunity for Avid has always been to build on its legacy, delivering technology that disrupts – for the better – how people do things. Setting such a pace requires a constant refreshing of talent and new technology and staying in touch with customers. Because many of our employees originated in the creative communities they now support, they align their passion for the craft with technology and develop innovative solutions to help our customers become better at what they do.

As Avid enters 2002, the marketplace is increasingly complex. Our customers range from low-budget independent filmmakers to major television networks competing for ratings points, where each point equals millions in added revenue. Our goal is to reduce that complexity through the creative use of technology.

With more than 125 technology patents to prove our resolve, Avid remains the leading innovator of disruptive technology in digital media production. Whether it's new technology for HD, effects, or interactive television, we're striving to ensure that every product and service in the Avid family offers a wide range of scalability, price, platform flexibility, and quantum leaps forward in productivity.

Film + Video Postproduction

The tremendous challenge of making movies, television shows, and commercials is often invisible to the audience. Scenes are rarely shot in chronological order, actors perform hundreds of takes, and even the best shots can be compromised by bad lighting, unexpected background noise, and the need to change the look of the set. Fortunately, all of this can be fixed in postproduction, where talented professionals use Avid tools to

assemble a complete story that is visually compelling.



Initially, Avid focused on delivering high-end postproduction products to specialized professionals in the film and video industries.

But demands change, and Avid has dramatically expanded its product line to address evolving

needs. Today, film students, corporate communicators, and the most seasoned of Hollywood professionals can select the Avid system with the performance that makes the most sense for their needs. From entry-level DV editing software on a laptop to the industry's most comprehensive high-definition production system, Avid's products span all types of media production, offering an affordable path to expand and improve workflow as demands increase in volume and complexity.

Audio

You listen to it on the way to work. It surrounds you in a movie theater. You download it from a Web site. You play it in your home. It all started when Thomas Edison made the world's first audio recording in 1877 with a strip of tinfoil wrapped around a cylinder. Now, recorded music and audio are fundamental aspects of modern culture, touching millions of people every day.

Fortunately, the tools to produce audio media have evolved with the demand. Digidesign, Avid's audio division, is an industry-leading provider of digital audio workstations for the professional music, film, video, multimedia, and radio broadcast industries.

Designed for the full spectrum of users, Digidesign products are installed in the smallest home studios up to the largest production facilities, with multiple suites for recording, editing, and mixing high-definition audio.



Broadcast

Right now, a news story is breaking somewhere in the world, and people are tuning in to find out what is happening. Accuracy, speed, and reliability define the competitive landscape in news production – stations that get the story first and get it right, establish lasting credibility with viewers and gain the most market share.



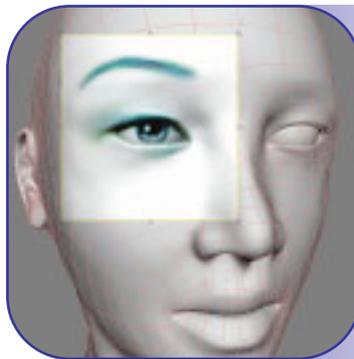
Although Avid editing products have been used in news production for years, today's broadcasters are striving to extend nonlinear efficiencies throughout the entire production process – from the

minute a reporter uncovers a story up

until the moment the news is broadcast to viewers. Because the majority of the world's broadcasters still use tape in production, the race against time is often compromised by the need to physically handle videotapes at nearly every stage of the process. Avid systems can completely remove tape from news production and fully integrate media ingest, editing, newsroom, encoding, management, and play-out functions, so broadcasters can produce segments with unprecedented speed and efficiency. More important, Avid's open-ended solutions can integrate with third-party offerings to further extend the value of existing investments in a broadcast news environment.

3D Animation + Special Effects

Enhancing media with animation and effects is an art that, until the 1990s, required photographing a series of hand-drawn images one at a time. With hundreds of drawings for each minute of film, this labor-intensive process significantly increased media production timelines and budgets.



Today, computer-generated animation software has revolutionized this art form, creating enormous demand for photo-realistic imaging in feature films, cartoons, commercials, video games, and Web sites. Animation and special effects tools from Softimage Co., Avid's animation and special effects subsidiary, deliver capabilities that define industry standards. Whether it's 3D text generation or character simulation, the Softimage product family enables creative professionals to choose the artistic tool that best allows them to translate their creative vision into award-winning imagery.

MAKE

Avid solutions are used to make media experienced by millions of people on a daily basis, including television shows and commercials, news broadcasts, music videos and CDs, cartoons and animated graphics, corporate/ industrial productions, and major motion pictures.

MANAGE

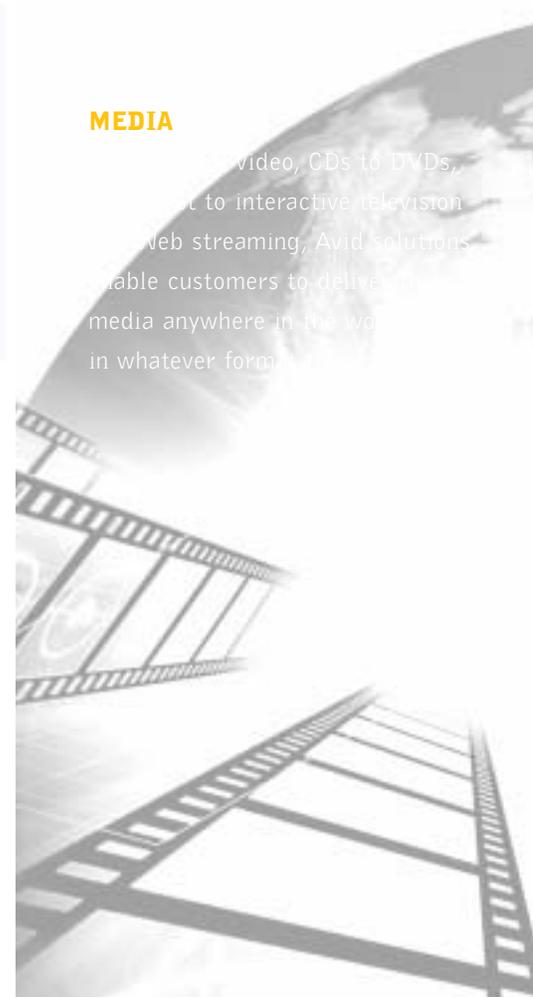
To manage today's increasingly rich collection of dynamic media, Avid provides its customers with powerful servers and networks to help them search files, share media, and collaborate on productions in the same building – or across the globe.

MOVE

Avid solutions empower customers to move media over multiple

MEDIA

from video, CDs to DVDs, and from traditional television to interactive television and web streaming, Avid solutions enable customers to deliver their media anywhere in the world in whatever format they desire.





An Integrated Family

For more than a decade, individual Avid products and solutions have been used to create the world's most widely recognized media. Today, however, it is increasingly common for media production to involve multiple disciplines that overlap on the same project. Movie footage, for example, is captured in multiple locations, while the music, dialogue, and special effects are created in separate studios around the world. The more seamlessly all of these production elements can be combined, the easier it is for professionals to collaborate and cost effectively deliver the most compelling story.

Avid's products work together to form a family of total solutions, so media professionals can collaborate, work more efficiently, and increase revenue opportunities. A scene for a television commercial, for example, can be digitally edited on an Avid Media Composer system and stored on an Avid Unity MediaNet server. From there, professionals can access the files simultaneously, adding 3D animation effects with SOFTIMAGE | XSI software, and enhance the audio soundtrack and effects with a Digidesign® Pro Tools workstation.

Many of Avid's developers are media production professionals themselves. They know first-hand the value of collaboration and, as a result, have engineered Avid's standalone systems to work together as a family. This integration means that groups of professionals using Avid systems on film, video, audio, or effects projects can now share the same digital media files and make changes simultaneously – whether they are in the same building or across the globe. From small editorial workgroups seeking a cost-effective Ethernet-based solution to large facilities demanding best-in-class networking for a fleet of high-end workstations, Avid's shared storage and media management solutions are customizable and fit the needs of any nonlinear production environment.



Avid's future success will be driven by our commitment to develop innovative solutions.

Powerful by themselves or together as a collaborative workflow, the entire family of Avid products is evolving as the rapid proliferation of film, video, broadcast, audio, animation, and Internet media continues. Our collective focus to set new standards of excellence in digital media production has never been stronger; we're bringing the widest range of reliable, scalable, flexible, and affordable choices to market to meet the ever-changing demands of our customers.

Independent Accountants

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Shareholder Inquiries

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Common Shares

Traded on the NASDAQ
National Market under the
symbol "AVID"

Annual Meeting of Shareholders

The Annual Meeting of Shareholders will take place at 10:00 A.M. ET on May 22, 2002 at:

One Federal Street
7th Floor
Boston, MA 02110

Chairman of the Board

Robert M. Halperin
Retired Vice Chairman and President
Raychem Corporation

Board of Directors

Charles T. Brumback
Retired Chairman and
Chief Executive Officer
Tribune Company

Nancy Hawthorne
Chairperson and Chief Executive Officer
Clerestory, LLC

David A. Krall
President and Chief Executive Officer
Avid Technology, Inc.

Pamela F. Lenehan
Private Investor

William J. Warner
President, FutureBoston Inc.
Founder, Avid Technology, Inc.

Corporate Management

David A. Krall
President and Chief Executive Officer

Paul J. Milbury
Vice President and
Chief Financial Officer

Ethan E. Jacks
Vice President of Business
Development and
Chief Legal Officer

Charles L. Smith
Vice President of Worldwide Sales,
Marketing, and Service

Ann C. Smith
Vice President of Human Resources
and Corporate Services

Joseph Bentivegna
Vice President of Video Development
and Operations

David R. Froker
Vice President and General Manager
Digidesign

Michael J. Rockwell
Chief Technology Officer

Michael Stojda
Managing Director, Softimage

Carol L. Reid
Vice President and
Corporate Controller



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