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 JUNE 30, 2004

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 July 27, 2004 was 31,830,484.

AVID TECHNOLOGY, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2004

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net revenues	$139,886	$113,317	$267,260	$225,494
Cost of revenues	60,995	50,608	115,098	102,835
Gross profit	78,891	62,709	152,162	122,659
Operating expenses:				
Research and development	22,924	21,428	45,216	43,127
Marketing and selling	33,656	27,748	63,510	53,012
General and administrative	6,184	5,617	12,070	10,962
Restructuring and other costs, net	-	-	-	1,783
Amortization of intangible assets	549	341	988	634
Total operating expenses	63,313	55,134	121,784	109,518
Operating income	15,578	7,575	30,378	13,141
Other income, net	595	507	35	738
Income before income taxes	16,173	8,082	30,413	13,879
Provision for income taxes	700	300	200	600
Net income	$15,473	$7,782	$30,213	$13,279
Net income per common share - basic	$0.49	$0.27	$0.96	$0.47
Net income per common share - diluted	$0.45	$0.25	$0.89	$0.43
Weighted average common shares outstanding - basic	31,623	28,494	31,413	28,052
Weighted average common shares outstanding - diluted	34,134	31,673	33,912	30,904

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

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

	June 30, 2004	December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$98,190	$102,649
Marketable securities	92,507	93,660
Accounts receivable, net of allowances of $8,816 and $9,161 at June 30, 2004 and December 31, 2003, respectively	78,702	69,230
Inventories	34,475	38,292
Current deferred tax assets, net	1,051	1,032
Prepaid expenses	5,792	5,117
Other current assets	7,079	7,032
Total current assets	317,796	317,012
Property and equipment, net	24,441	23,223
Intangible assets, net	8,032	1,815
Goodwill	41,687	3,335
Long-term deferred tax assets, net	2,557	-
Other assets	3,330	2,734
Total assets	$397,843	$348,119
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$19,953	$15,755
Accrued compensation and benefits	18,062	23,753
Accrued expenses and other current liabilities	28,531	27,452
Income taxes payable	8,904	8,504
Deferred revenues	54,546	44,943
Total current liabilities	129,996	120,407
Long-term debt and other liabilities	351	607
Total liabilities	130,347	121,014
Contingencies (Note 6)		
Stockholders' equity:		
Common stock	318	311
Additional paid-in capital	431,814	419,981
Accumulated deficit	(164,262)	(194,476)
Deferred compensation	(4)	(30)
Accumulated other comprehensive income (loss)	(370)	1,319
Total stockholders' equity	267,496	227,105
Total liabilities and stockholders' equity	$397,843	$348,119

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)

	Six Months Ended June 30, 2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$30,213	$13,279
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,699	6,198
Provision for (recovery of) doubtful accounts and recourse obligations	(188)	132
Compensation expense from stock grants and options	26	138
Equity in income of non-consolidated company	(59)	(42)
Changes in operating assets and liabilities:		
Accounts receivable	(7,734)	(324)
Inventories	3,947	1,790
Prepaid expenses and other current assets	(1,848)	(1,371)
Accounts payable	3,707	(6,891)
Income taxes payable	379	398
Accrued expenses, compensation and benefits	(4,617)	321
Deferred revenues and deposits	5,559	8,211
NET CASH PROVIDED BY OPERATING ACTIVITIES	36,084	21,839
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(6,528)	(2,696)
Payments for other long-term assets	(349)	(331)
Payments for business acquisitions, net of cash acquired	(43,899)	(408)
Purchases of marketable securities	(29,846)	(34,204)
Proceeds from sales of marketable securities	30,160	7,518
NET CASH USED IN INVESTING ACTIVITIES	(50,462)	(30,121)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligations	(324)	(305)
Proceeds from issuance of common stock under employee stock plans	11,840	25,251
NET CASH PROVIDED BY FINANCING ACTIVITIES	11,516	24,946
Effect of exchange rate changes on cash and cash equivalents	(1,597)	77
Net increase (decrease) in cash and cash equivalents	(4,459)	16,741
Cash and cash equivalents at beginning of period	102,649	62,174
Cash and cash equivalents at end of period	$98,190	$78,915

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 consolidated 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, financial position, and cash flows of the Company, in conformity with generally accepted accounting principles. The accompanying condensed consolidated balance sheet as of December 31, 2003 was derived from Avid's audited consolidated financial statements, but does not include all disclosures required by generally accepted accounting principles. The Company filed audited consolidated financial statements for the year ended December 31, 2003 in its 2003 Annual Report on Form 10-K, which included all information and footnotes necessary for such presentation; the financial statements contained in this Form 10-Q should be read in conjunction with the audited consolidated financial statements in the Form 10-K.

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 amounts of assets and liabilities and disclosures 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 asset valuation allowances. Actual results could differ from those estimates.

2. NET INCOME PER COMMON SHARE

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net income	$15,473	$7,782	$30,213	$13,279
Weighted average common shares outstanding - basic	31,623	28,494	31,413	28,052
Weighted average potential common stock:				
Options	2,452	3,179	2,493	2,852
Warrant	59	-	6	-
Weighted average common shares outstanding - diluted	34,134	31,673	33,912	30,904
Net income per common share - basic	$0.49	$0.27	$0.96	$0.47
Net income per common share - diluted	$0.45	$0.25	$0.89	$0.43

For the three and six months ended June 30, 2004 and 2003, certain stock options and the warrant have been excluded from the diluted net income per share calculation. Their effect would be anti-dilutive since the exercise prices were in excess of the Company's average common stock fair value for the related period.

Common stock options and warrant that were considered anti-dilutive securities and excluded from the diluted net income per share calculations were as follows, on a weighted-average basis:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Options	96	106	166	366
Warrant	-	1,155	-	1,155
Total anti-dilutive common stock options and warrant	96	1,261	166	1,521

3. ACQUISITION - NXN SOFTWARE AG

In January 2004, Avid acquired Munich, Germany-based NXN Software AG ("NXN"), a leading provider of asset and production management systems specifically targeted for the entertainment and computer graphics industries, for cash of (euro)35 million ($43.7 million). The Company also incurred approximately $1.3 million of transaction costs. The acquisition expands Avid's offering in digital asset management by enabling the Company's film and video post-production, broadcast, audio and 3D animation customers to leverage the workflow capabilities of the NXN Alienbrain(R) product line. NXN will be reported within Avid's Video and Film Editing and Effects ("Video") segment. The goodwill resulting from the purchase price allocation reflects the synergies the Company hopes to realize by integrating the NXN technology with its other products. The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

Current assets	$2,049
Equipment and other long-term assets	584
Identifiable intangible assets	7,200
Deferred tax assets, net	2,480
Goodwill	38,813
Total assets acquired	51,126
Current liabilities assumed	(6,169)
Transaction costs incurred	(1,294)
Net assets acquired	$43,663

The identifiable intangible assets include completed technology valued at $4.3 million, customer relationships valued at $2.1 million, and a trade name valued at $0.8 million, most of which are being amortized over a six-year period. Amortization expense relating to these intangibles was $0.3 million and $0.5 million for the three- and six-month periods ended June 30, 2004, respectively. Amortization of these intangibles for the full year ended December 31, 2004 is expected to be $1.2 million. During the three-month period ended June 30, 2004, the $38.8 million of goodwill was reduced by $0.4 million to $38.4 million due to a reduction in the estimated fair value of deferred revenue acquired from NXN. In accordance with the requirements of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets", goodwill will not be amortized. This goodwill is not deductible for tax purposes.

Pro Forma Financial Information for Acquisition (Unaudited)

The following unaudited pro forma financial information presents the results of operations for the three-month period ended June 30, 2003 and the six-month periods ended June 30, 2004 and 2003 as if the acquisition of NXN in January 2004 occurred at the beginning of 2003. The actual results of operations for the three-month period ended June 30, 2004 included NXN for the full period. The pro forma financial information for the combined entities has been prepared for comparative purposes only and is not indicative of what actual results would have been if the acquisition had taken place at the beginning of fiscal 2003, or of future results.

	Three Months Ended June 30,	Six Months Ended June 30,	
	2003	2004	2003
(In thousands, except per share data)			
Net revenues	$115,326	$267,730	$229,308
Net income	$7,143	$30,056	$11,750
Net income per share:			
Basic	$0.25	$0.96	$0.42
Diluted	$0.23	$0.89	$0.38

4. INVENTORIES

Inventories consisted of the following (in thousands):

	June 30, 2004	December 31, 2003
Raw materials	$13,058	$12,086
Work in process	2,008	1,475
Finished goods	19,409	24,731
	$34,475	$38,292

As of June 30, 2004 and December 31, 2003, the finished goods inventory included deferred costs of $8.3 million and $14.0 million, respectively, associated with product shipped to customers for which revenue had not yet been recognized.

5. 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. For holders of these options or shares who are terminated, the Company ceases amortization and reclassifies the associated deferred compensation to additional paid-in capital. 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 and net income 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).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net income as reported	$15,473	$7,782	$30,213	$13,279
Add: Stock-based employee compensation expense included in reported net income	13	14	26	29
Deduct: Total stock-based employee compensation expense determined under the fair value-based method for all awards, net of related tax effects	(3,940)	(3,272)	(7,311)	(6,573)
Pro forma net income	$11,546	$4,524	$22,928	$6,735
Net income per share:				
Basic-as reported	$0.49	$0.27	$0.96	$0.47
Basic-pro forma	$0.37	$0.16	$0.73	$0.24
Diluted-as reported	$0.45	$0.25	$0.89	$0.43
Diluted-pro forma	$0.34	$0.14	$0.68	$0.22

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.

6. 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, upon Avid's motion, the suit was transferred to the United States District Court for the Southern District of New York. The complaint alleges infringement by Avid of U.S. patent number 4,258,385, and seeks injunctive relief, treble damages, costs, and attorneys' fees. This patent expired on May 15, 1999 and therefore, would not be applicable to the products currently offered by Avid. Accordingly, potential damages, if any, are limited to the period beginning March 11, 1990 (six years prior to this date of the complaint) and ending May 15, 1999. In its answer to the complaint, the Company asserted that it did not infringe the patent and that the patent is invalid. The Company is unable to quantify a range of loss in this litigation. Combined Logic Company did not specify an alleged damage amount in its complaint. As only limited discovery has been conducted to date by either side in the eight years since Combined Logic Company filed its complaint, the Company believes it does not have sufficient information to provide any meaningful estimate of the possible range of damages that Combined Logic Company might seek. 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 possible 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 Avid and Tektronix, and sought lost future profits, treble damages, attorneys' fees, and interest. In March 2001, the United States District Court for the District of California dismissed the anti-trust claims against both parties and the remaining common law claim against the Company was dismissed by stipulation and court order on April 6, 2001. Glen Holly subsequently appealed the lower court's decision. On September 9, 2003, a three-judge panel of the U.S. Court of Appeals for the Ninth Circuit reversed in part the lower court's dismissal and sent the antitrust claims back to the lower court for further findings. Avid and Tektronix filed a Petition for a rehearing by the three-judge panel and a rehearing by the full Ninth Circuit on September 23, 2003. The Petition was denied on December 12, 2003. On March 18, 2004, the Company entered into a settlement agreement with Glen Holly whereby each party issued a general release of all claims relating to the allegations made in this lawsuit. In consideration of the settlement, Avid agreed to make a payment to Glen Holly of $1,050,000 and accordingly, $985,000 was paid in March 2004 and the remaining $65,000 was paid in April 2004. This amount is included in other income (expense), net for the six-month period ended June 30, 2004. On March 19, 2004, Avid filed an application for determination of good faith settlement with the U.S. District Court requesting that it determine whether Tektronix had a right to contribution or indemnification from Avid arising from claims asserted in the lawsuit. On June 17, 2004, the U.S. District Court issued a ruling in which it determined that Tektronix had no such right. On June 24, 2004, Glen Holly filed a stipulation of dismissal with the Court, dismissing all claims alleged against the Company in this proceeding. On July 14, 2004, the court issued an order finding that the settlement agreement between Avid and Glen Holly was entered into in good faith under applicable law.

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, to date, the Company has not received any claims under 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 Avid's 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, in most cases, enable the Company to recover all or a portion of any future amounts paid. As a result of this insurance policy coverage and Avid's related payment experience to date, the Company believes the estimated fair value of these indemnification agreements is minimal.

The Company has a standby 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 June 30, 2004 be eligible to draw against this letter of credit to a maximum of $4.3 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 June 30, 2004, the Company was not in default of this lease.

The Company, through a third party, provides lease financing options to its customers, including primarily end-users, and occasionally 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 June 30, 2004 and December 31, 2003, Avid's maximum recourse exposure totaled approximately $16.6 million and $14.8 million, respectively. The Company records revenue from these transactions upon the shipment of products, provided that all other revenue recognition criteria are met. Because the Company has been providing these financing options to its customers for many years, the Company has a substantial history of collecting under these arrangements without providing refunds or concessions to the end user or financing party. To date, the payment default rate has consistently been between 2% and 4% per year. The Company maintains a reserve for estimated losses under this recourse lease program based on these historical default rates. At June 30, 2004 and December 31, 2003, the Company's accrual for estimated losses was $2.4 million and $3.3 million, respectively.

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 the manufacturer's warranty.

The following table sets forth the activity in the product warranty accrual account for the six-month periods ended June 30, 2004 and 2003 (in thousands):

	June 30, 2004	June 30, 2003
Accrual balance at beginning of period	$1,355	$922
Accruals for product warranties	1,729	1,322
Cost of warranty claims	(1,205)	(986)
Accrual balance at end of period	$1,879	$1,258

7. COMPREHENSIVE INCOME

Total comprehensive income net of taxes consists of net income, the net changes in foreign currency translation adjustment and net unrealized gains and losses on available-for-sale securities. The following is a summary of the Company's comprehensive income, (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net income	$15,473	$7,782	$30,213	$13,279
Net changes in:				
Foreign currency translation adjustment	(803)	2,032	(1,383)	3,239
Unrealized gains (losses) on securities	(362)	(5)	(306)	47
Total comprehensive income	$14,308	$9,809	$28,524	$16,565

8. 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 following is a summary of the Company's operations by reportable segment (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Video and Film Editing and Effects:				
Net revenues	$96,431	$77,392	$188,410	$156,731
Operating income	$7,967	$2,708	$21,311	$7,828
Professional Audio:				
Net revenues	$43,455	$35,925	$78,850	$68,763
Operating income	$8,160	$5,208	$10,055	$7,730
Combined Segments:				
Net revenues	$139,886	$113,317	$267,260	$225,494
Operating income	$16,127	$7,916	$31,366	$15,558

The following table reconciles operating income for reportable segments to the total consolidated amounts for the three- and six-month period ended June 30, 2004 and 2003 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Total operating income for reportable segments	$16,127	$7,916	$31,366	$15,558
Unallocated amounts:				
Restructuring and other costs, net	-	-	-	(1,783)
Amortization of acquisition-related intangible assets	(549)	(341)	(988)	(634)
Consolidated operating income	$15,578	$7,575	$30,378	$13,141

9. RESTRUCTURING AND OTHER COSTS, NET

In December 2002, the Company recorded a charge of $3.3 million in connection with vacating excess space in its 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. The Daly City estimate was revised, and an additional charge recorded, in the fourth quarter of 2003.

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 charge of $1.2 million for employee terminations and $0.6 million for unutilized space in Santa Monica that included a write-off of leasehold improvements of $0.4 million.

The Company recorded the December 2002 and March 2003 charges in accordance with the guidance of SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS No. 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 are recorded through operating expenses.

The following table sets forth the activity in the restructuring and other costs accrual, which is included in Accrued expenses and other liabilities for the six months ended June 30, 2004 (in thousands):

	Employee Related	Facilities Related	Total
Accrual balance at December 31, 2003	$50	$4,843	$4,893
Revisions of estimated liabilities	(50)	50	-
Cash payments	-	(833)	(833)
Accrual balance at June 30, 2004	$-	$4,060	$4,060

The majority of the facilities-related accrual represents estimated losses on subleases of space vacated as part of the Company's restructuring actions. The leases, and charges against the amount accrued, extend through 2010 unless the Company is able to negotiate an earlier termination.

10. RECENT ACCOUNTING PRONOUNCEMENTS

In January 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation ("FIN") No. 46 "Consolidation of Variable Interest Entities" ("FIN 46") and, in December 2003, issued a revision to that interpretation ("FIN 46R"). FIN 46R further explains how to identify variable interest entities ("VIE") and how to determine when a business enterprise should include the assets, liabilities, non-controlling interest and results of a VIE in its

financial statements. The Company adopted FIN 46R as of January 1, 2004. The adoption of the provisions of FIN 46R did not have a material impact on the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting For Certain Financial Instruments with Characteristics of Both Liabilities and Equity", which establishes standards for how an issuer of financial instruments classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) if, at inception, the monetary value of the obligation is based solely or predominantly on a fixed monetary amount known at inception, variations in something other than the fair value of the issuer's equity shares or variations inversely related to changes in the fair value of the issuer's equity shares. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. On November 7, 2003, the FASB deferred the classification and measurement provisions of SFAS No. 150 as they apply to certain mandatory redeemable non-controlling interests. This deferral is expected to remain in effect while these provisions are further evaluated by the FASB. The Company has not entered into or modified any financial instruments covered by this statement after May 31, 2003 and the application of this standard is not expected to have a material impact on the Company's financial position or results of operations.

In December 2003, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition," which supersedes SAB No. 101, "Revenue Recognition in Financial Statements." SAB No. 104's primary purpose is to rescind accounting guidance contained in SAB No. 101 related to multiple element revenue arrangements, superseded as a result of the issuance of EITF No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." The issuance of SAB No. 104 reflects the concepts contained in EITF No. 00-21; the other revenue recognition concepts contained in SAB No. 101 remain largely unchanged. The application of SAB No. 104 did not have any impact on the Company's financial position or results of operations.

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. Our Video and Film Editing and Effects ("Video") segment offers digital, non-linear video and film editing systems and 3D and special effects software that enable users 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. Our Professional Audio ("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. Many of our products also 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 by our customers using our products have been honored with Oscar(R), Emmy(R), and Grammy(R) awards, as well as a host of other international awards. In addition, we have received numerous awards for technical innovations, including Oscars, Emmys and a Grammy. (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.)

In April 2004, we introduced two new audio control surfaces as part of our Digidesign Pro Tools audio product line. D-Control is a high-end, expandable control surface offering instant access to a large number of mixing parameters while mixing or recording audio. Together with the Pro Tools|HD system, D-Control forms the basis of the ICON audio production system. Command|8 is a semi-pro small-format control surface, which can be used with Digidesign Pro Tools|HD, Pro Tools LE, and Avid Media Composer. Both control surfaces include integrated high-quality audio monitoring.

In April 2003, we introduced a new family of products based on our Digital Nonlinear Accelerator, or Avid DNA, architecture, a powerful series of specialized computer hardware products engineered specifically for media processing. When paired with our next-generation nonlinear editing software, the Avid DNA family enables professionals to achieve real-time functionality and superior image and sound quality when capturing, editing, finishing and outputting DV, SD and HD video formats. The Avid DNA family includes Avid Media Composer Adrenaline and Avid NewsCutter Adrenaline FX systems, both of which began shipping in the second quarter of 2003, and Avid Xpress Pro and Avid Mojo, which began shipping in the third quarter of 2003. The Avid Media Composer Adrenaline system leverages the key features of its predecessor to offer

improved quality, speed and performance in high-pressure time-sensitive television and film editing and production environments. The Avid NewsCutter Adrenaline FX expands news editing capabilities by offering speed, reliability and a range of professional news-oriented editing and workflow features in a turnkey PC-based platform. Avid Xpress Pro software and the Avid Mojo accelerator deliver professional video, film, and audio editing capabilities including automatic color correction, real-time digital and analog output and are qualified to run on a wide range of Windows-based CPUs as well as on the Power Mac G5. The Avid DNA family also includes the Avid DS Nitris system which began shipping in the fourth quarter of 2003. The Avid DS Nitris product is a powerful finishing tool delivering real-time effects and color correction.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles and the Company's discussion and analysis of its financial condition and results of operations requires the Company's management to make judgments, assumptions, and estimates that affect the amounts reported in its consolidated financial statements and accompanying notes. Note 1 of the Notes to Consolidated Financial Statements in the Company's 2003 Form 10-K describes the significant accounting policies and methods used in the preparation of the Company's consolidated financial statements. Management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates.

Management believes the Company's critical accounting policies are those related to revenue recognition and allowances for product returns and exchanges, allowance for bad debts and reserves for recourse under financing transactions, inventories and income taxes. Management believes these policies to be critical because they are both important to the portrayal of the Company's financial condition and results of operations, and they require management to make judgments and estimates about matters that are inherently uncertain. Additional information about these critical accounting policies may by found in the Company's 2003 Form 10-K in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the heading "Critical Accounting Policies and Estimates."

RESULTS OF OPERATIONS

Net Revenues

Our net revenues are derived mainly from the sales of computer-based digital, nonlinear 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 by $26.6 million (23.4%) to $139.9 million for the quarter ended June 30, 2004 from $113.3 million for the same quarter in 2003. Revenues in our Video business increased $19.0 million or 24.6%, while revenues in our Audio business grew by $7.5 million or 21.0%. The growth in the Video business reflects increased sales volume of our products, including the new Avid DNA family of products released in the second through fourth quarters of 2003 and for which we ran a successful promotion with our resellers in the quarter ended June 30, 2004. Revenue growth in our Audio segment also primarily reflects increased sales volume of our products including the release of our new D-Control tactile work surface in the current quarter. Revenue growth in both segments was partially offset by lower average selling prices of certain products in 2004 as compared to 2003. Average selling prices include the impact of price changes, discounting and mix (higher or lower-end) of products sold. Average selling prices also include the impact of foreign currency exchange rate changes, which had a favorable impact in 2004 compared to 2003.

Net revenues increased by $41.8 million (18.5%) to $267.3 million for the six months ended June 30, 2004 from $225.5 million for the six months ended June 30, 2003. Revenues in our Video business increased $31.7 million or 20.2%, while revenues in our Audio business grew by $10.1 million or 14.7%. The growth in both segments is due to the factors mentioned above.

Net revenues derived through indirect channels were approximately 71% of net revenues for both of the quarters ended June 30, 2004 and 2003. Indirect channel revenues were approximately 73% and 75 % of net revenues for the six-month periods ended June 30, 2004 and 2003, respectively. We generally sell directly to our broadcast customers and expect this will be an area of potential revenue growth in the future.

Sales in the Americas have typically accounted for approximately 55% of our consolidated net revenues, with sales in Europe and Asia Pacific represent the remaining 45%. However, the relative percentages of sales among the regions can vary based on, among other things, the impact of currency exchange rate fluctuations on revenues, the timing of revenue recognition of solutions sales, and local economic conditions.

Sales in the Americas accounted for 54% and 58% of the Company's second quarter 2004 and 2003 net revenues, respectively. For the six-month periods ended June 30, 2004 and 2003, sales in the Americas accounted for 55% and 56% of net revenues, respectively. For the three- and six-month periods ended June 30, 2004, Americas sales increased by approximately $9.8 million or 14.9% and $19.5 million or 15.3%, respectively, compared to the same periods in 2003.

Sales in the Europe and Asia Pacific regions accounted for 46% and 42% of the Company's second quarter 2004 and 2003 net revenues, respectively. For the six-month periods ended June 30, 2004 and 2003, sales in the Europe and Asia Pacific regions accounted for 45% and 44% of net revenues, respectively. For the three- and six-month periods ended June 30, 2004, Europe and Asia Pacific regions sales increased by approximately $16.8 million or 35.2% and $22.3 million or 22.7%, respectively, compared to the same periods in 2003, with the impact of currency translation being a favorable factor, particularly in Europe.

Gross Profit

Costs of revenues consists primarily of costs associated with the procurement of components; post-sales customer support costs related to maintenance contract revenue and other services; the assembly, testing, and distribution of finished products; warehousing; and royalties for third-party software included in our products. The resulting gross margin 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.

Our gross margin increased to 56.4% in the second quarter of 2004 from 55.3% for the same period of 2003. This increase was primarily due to lower manufacturing overhead spending and decreased promotional revenue deferrals in the Audio segment. The Video segment had a lower gross margin in the second quarter of 2004 as compared to 2003 due primarily to the recognition in the current quarter of a broadcast deal which had a lower than usual gross margin due to the structure of the transaction, including the proportion of third-party components which had a lower gross margin than other elements of the deal. Additionally, there was a positive impact on revenue from currency exchange rates with no material offsetting impact on costs of revenues as most of our manufacturing costs are transacted in U.S. dollars.

Our gross margin increased to 56.9% for the six months ended June 30, 2004 from 54.4% for the same period in 2003. Margins in both the Video and Audio segments improved, with the most significant factors being lower manufacturing overhead spending and a positive impact on revenue from currency exchange rates with no material offsetting impact on costs of revenues, as most of our manufacturing costs are transacted in U.S. dollars.

Research and Development

Research and development expenses increased by $1.5 million (7.0%) in the second quarter of 2004 compared to the same period in 2003 and increased by $2.1 million (4.8%) for the six months ended June 30, 2004 compared to the same period in 2003. The increase in both 2004 periods was primarily the result of personnel-related expenses (in part due to the acquisition of NXN), partially offset by decreased engineering outsourcing for the development of new products. Research and development expenses decreased to 16.4% of net revenues in the

second quarter of 2004 compared to 18.9% in the same quarter of 2003. Research and development expenses decreased to 16.9% of net revenues for the six months ended June 30, 2004 from 19.1% for the same period in 2003 due to the increased revenue base.

Marketing and Selling

Marketing and selling expenses increased by $5.9 million (21.3%) in the second quarter of 2004 compared to the same period in 2003 and increased by $10.5 million (19.8%) for the six months ended June 30, 2004 compared to the same period in 2003. The increase in both 2004 periods was in part related to the acquisition of NXN, and was primarily due to higher personnel-related costs including higher commission expense due to increased revenues. We also had higher spending associated with our participation at the National Association of Broadcasters trade show. Net foreign exchange losses (specifically, transaction and re-measurement gains and losses on net monetary assets denominated in foreign currencies, offset by hedging gains and losses), which are included in marketing and selling expenses, were higher in 2004. Marketing and selling expenses decreased to 24.1% of net revenues in the second quarter of 2004 compared to 24.5% in the same quarter of 2003 due to the increased revenue base. Marketing and selling expenses increased to 23.8% of net revenues for the six months ended June 30, 2004 from 23.5% for the same period in 2003 due to the higher expenses noted above.

General and Administrative

General and administrative expenses increased by $0.6 million (10.1%) in the second quarter of 2004 compared to the same period in 2003 and increased by $1.1 million (10.1%) for the six months ended June 30, 2004 compared to the same period in 2003. The increase in both 2004 periods was primarily due to higher legal fees and personnel-related costs. General and administrative expenses decreased to 4.4% of net revenues in the second quarter of 2004 compared to 5.0% in the same quarter of 2003 and decreased to 4.5% from 4.9% of net revenues for the six months ended June 30, 2004 and 2003, respectively due to the increased revenue base.

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, during the first three months of 2003 we recorded a charge of $1.2 million for employee terminations and $0.6 million for unutilized space in Santa Monica that included a write-off of leasehold improvements of $0.4 million. No such charges were taken in the first half of 2004.

Amortization of Acquisition-Related Intangible Assets

In January 2004 we acquired NXN Software AG ("NXN"), a leading provider of asset and production management systems specifically targeted for the entertainment and computer graphics industries, for cash consideration of (euro)35 million ($43.7 million) plus transaction costs. As part of the purchase accounting allocation we recorded $7.2 million of identifiable intangible assets, consisting of completed technologies, customer relationships and a trade name. The unamortized balance of the identifiable intangible assets relating to this acquisition was $6.6 million at June 30, 2004.

From 2000 to 2003 we recorded intangible assets as we acquired the following companies or their assets: Rocket Network, Inc. and Bomb Factory Digital, Inc. in 2003; iKnowledge, Inc. in 2002; iNews, LLC in 2001; and The Motion Factory, Inc. in 2000. In connection with these acquisitions, we allocated $7.6 million to identifiable intangible assets consisting of completed technologies and work force, and $2.2 million to goodwill. As of January 1, 2002, in connection with the adoption of SFAS 142, we reclassified $1.1 million of a previously recorded assembled work force intangible to goodwill and, as a result, ceased amortizing this amount. The unamortized balance of the identifiable intangible assets relating to these acquisitions was $1.4 million at June 30, 2004.

Included in the operating results for each of the quarters ended June 30, 2004 and 2003 is amortization for all of these intangible assets of $0.5 million and $0.3 million, respectively; the six-month periods ended June 30, 2004 and 2003 include amortization of $1.0 million and $0.6 million, respectively. The increased levels of amortization reflect the addition of the NXN assets acquired in January 2004.

Other Income, Net

Other income, net generally consists of interest income and interest expense. Other income (expense), net for the second quarter of 2004 increased $0.1 million to $0.6 million compared to $0.5 million for the second quarter of 2003. The increase was primarily due to higher interest income earned on higher average cash, cash equivalents, and marketable securities balances. For the six-month period ended June 30, 2004, other income, net decreased $0.7 million, from $0.7 million to $35,000, as compared to the same period in 2003. The decrease was primarily due to a charge in the first quarter of 2004 of $1.1 million related to reaching a pending settlement of a lawsuit, partially offset by higher interest income earned on higher average cash, cash equivalents, and marketable securities balances.

Provision for Income Taxes

We recorded tax provisions of $0.7 million and $0.3 million for the quarters ended June 30, 2004 and 2003, respectively. The tax provisions for the six-month periods ending June 30, 2004 and 2003, respectively, were $0.2 million and $0.6 million. The lower tax provision in the first half of 2004 reflected the first-quarter reversal of a $1.2 million tax reserve resulting from the expiration of the statute of limitation on that reserve item. Other than this reversal, the tax provision for all periods presented was substantially comprised of taxes payable by our foreign subsidiaries with only alternative minimum tax provided on anticipated U.S. taxable profits.

The tax provision in each quarter is significantly affected by net changes in the valuation allowance against our deferred tax assets. 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 provision benefit of utilizing these items results from the corresponding 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 remaining assets is sufficient to warrant the continued establishment of a valuation allowance against nearly all of our deferred tax assets.

LIQUIDITY AND CAPITAL RESOURCES

We have funded our operations to date through both private and public sales of equity securities, including stock option exercises from our employee stock plans, as well as through cash flows from operations. As of June 30, 2004, our principal sources of liquidity included cash, cash equivalents and marketable securities totaling $190.7 million.

With respect to cash flow, net cash provided by operating activities was $36.1 million for the six months ended June 30, 2004 compared to $21.8 million for the same period in 2003. During the six months ended June 30, 2004, net cash provided by operating activities primarily reflects net income adjusted for depreciation and amortization as well as an increase in deferred revenue and a decrease in inventories, partially offset by an increase in accounts receivable. During the six months ended June 30, 2003, net cash provided by operating activities primarily reflects net income adjusted for depreciation and amortization and other non-cash adjustments as well as an increase in deferred revenue and a decrease in inventory, partially offset by a decrease in accounts payable.

At June 30, 2004 and December 31, 2003, we held inventory in the amounts of $34.5 million and $38.3 million, respectively. These balances include stockroom, spares, and demonstration equipment inventories at various locations, and inventory at customer sites related to shipments for which we have not yet recognized revenue. We review these balances regularly for excess quantities or potential obsolescence and make appropriate adjustments to write-down the inventories to reflect their estimated realizable value.

Accounts receivable increased by $9.5 million to $78.7 million at June 30, 2004 from $69.2 million at December 31, 2003, driven primarily by the year-over-year increase in net revenues. These balances are net of allowances for sales returns, bad debts and customer rebates, all of which we estimate and record based on historical experience. Days sales outstanding in accounts receivable increased from 49 days at December 31, 2003 to 51 days at June 30, 2004. The increase in days sales outstanding is primarily attributable to the timing of shipments during the quarter and an increase in deferred maintenance contract billings for which revenue is recognized ratably in future quarters.

Net cash flow used in investing activities was $50.5 million for the six-month period ending June 30, 2004 compared to $30.1 million for the same period in 2003. We expended cash of $42.9 million for the purchase of NXN Software AG, net of NXN's cash acquired of $0.8 million. Also, a second payment of $1.0 million for our acquisition in 2003 of Bomb Factory Digital was made in early 2004, after resolution of acquisition-related contingencies, with the final payments totaling $0.4 million due on various dates through December 2004. We purchased $6.5 million of property and equipment during the six months ended June 30, 2004 compared to $2.7 million in the same period of 2003. Purchases of property and equipment in both 2004 and 2003 were primarily of computer hardware and software to support research and development activities and our information systems. Our capital spending program for 2004 is currently expected to be $13.0 million, including purchases of hardware and software to support activities in the research and development, information systems and manufacturing areas, as well as for facilities renovations. However, this amount could increase in the event we enter into strategic business acquisitions or for other reasons.

During the six months ended June 30, 2004 and 2003, we generated cash of $11.8 million and $25.3 million, respectively, from the issuance of common stock related to the exercise of stock options and our employee stock purchase plan.

In connection with restructuring efforts during 2001 and prior periods, as well as with the identification in 2003 and 2002 of excess space in various locations, we also have cash obligations of approximately $16.4 million under leases for which we have vacated the underlying facilities. We have an associated restructuring accrual of $4.1 million at June 30, 2004 representing the excess of our lease commitments on space no longer used by us over expected payments to be received on subleases of such facilities. 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.

Our cash requirements vary depending upon factors such as our planned growth, capital expenditures, the possible acquisition of businesses or technologies complementary to our business and obligations under past restructuring programs. We believe our existing cash, cash equivalents, marketable securities and funds generated from operations will be sufficient to meet our operating cash requirements for at least the next twelve 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 January 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation ("FIN") No. 46 "Consolidation of Variable Interest Entities" ("FIN 46") and, in December 2003, issued a revision to that interpretation ("FIN 46R"). FIN 46R further explains how to identify variable interest entities ("VIE") and how to determine when a business enterprise should include the assets, liabilities, non-controlling interest and results of a VIE in its financial statements. The Company adopted FIN 46R as of January 1, 2004. The adoption of the provisions of FIN 46R did not have a material impact on the Company's financial position or results of operations.

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purpose is to rescind accounting guidance contained in SAB No. 101 related to multiple element revenue arrangements, superseded as a result of the issuance of EITF No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." The issuance of SAB No. 104 reflects the concepts contained in EITF No. 00-21; the other revenue recognition concepts contained in SAB No. 101 remain largely unchanged. The application of SAB No. 104 did not have any impact on the Company's financial position or results of operations.

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 performance will depend in part on continued market acceptance of our new digital nonlinear editing products.

We recently introduced several new digital non-linear products based on our Digital Nonlinear Accelerator architecture, including our and next-generation Media Composer (Media Composer Adrenaline) and NewsCutter (NewsCutter Adrenaline) systems, as well as Avid Xpress Pro with Avid Mojo and Avid DS Nitris hardware. We will need to continue to focus marketing and sales efforts on educating potential customers and our resellers about the uses and benefits of these products. The future success of certain of these products, such as Avid DS Nitris, which enable high-definition production, will also depend on consumer demand for appliances, such as television sets and monitors, that utilize the high definition standard. In addition, there are several other risks involved with offering new products in general, including, without limitation, the possibility of defects or errors, failure to meet customer expectations, delays in shipping new products and the introduction of similar products by our competitors. At the same time, the introduction and transition to new products could have a negative 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 digital 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 turnkey, fully integrated, complex solutions (including the configuration of unique workflows), rather than discrete point products, are frequently required by the customer. Success in this market will require, among other things, creating compelling solutions and developing a strong, loyal customer base.

In addition, large, complex broadcast orders often require us to devote significant sales, engineering, 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.

Our revenues are becoming increasingly dependent on sales of large, complex solutions.

We expect sales of large, complex solutions to continue to constitute a material portion of our net revenue, particularly as news stations convert from analog, or tape-based, processes to digital formats. Our quarterly and annual revenues could fluctuate significantly if:

- sales to one or more of our customers are delayed or are not completed within a given quarter;
- the contract terms preclude us from recognizing revenue during that quarter;
- news stations' migrations from analog processes to digital formats slows down;
- we are unable to complete complex customer installations on schedule;
- our customers reduce their capital investments in our products in response to slowing economic growth; and
- any of our large customers terminate their relationship with us or significantly reduce the amount of business they do with us.

Our products are complex, and may contain errors or defects resulting from such complexity.

As we continue to expand our product offerings to include not only point products but also end-to-end solutions, our products have grown increasingly 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, delay of revenue recognition, increased product returns, lack of market acceptance, and damage to our reputation.

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

The digital video, audio, and 3D markets are highly competitive, with limited barriers to entry, and are characterized by pressure to reduce prices, incorporate new features, and accelerate the release of new products. Some of our current and potential competitors have substantially greater financial, technical, distribution, support, and 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. Delays or difficulties in product development and introduction may also harm our business. If we are unable to compete effectively in our target markets, our business and results of operations could suffer.

In addition to price, our products must also compete favorably with our competitors' products in terms of reliability, performance, ease of use, range of features, product enhancements, reputation and training.

New product announcements by our competitors and by us also could have the effect of reducing customer demand for our existing products. New product introductions also 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.

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.

Products from 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 and the integration of newly acquired products, is a complex and uncertain process, and we could experience design, manufacturing, marketing, or other difficulties that delay or prevent our development and introduction of new or enhanced products, or our integration of acquired products, which, in turn, could harm our business.

When we acquire other companies or businesses, we become subject to risks that could hurt our business.

We periodically acquire businesses and form strategic alliances. For example, in December 2003, we acquired the assets of Bomb Factory Digital, Inc., a company that produces digital audio processing products, and in January 2004, we acquired NXN Software AG, a company that manufactures asset and production management systems specifically targeted for the entertainment and computer graphics industries. The risks associated with such acquisitions, alliances, and investments include, among others:

- the difficulty of assimilating the operations, policies and personnel of the target companies;
- the failure to realize anticipated returns on investment, cost savings and synergies;
- the diversion of management's time and attention;
- the dilution existing stockholders may experience if we decide to issue shares of our common stock or other rights to purchase our common stock as consideration in the acquisition in lieu of cash;
- the potential loss of key employees of the target company;
- the difficulty in complying with a variety of foreign laws;
- the impairment of relationships with customers or suppliers of the target company or our customers or suppliers; and
- unidentified issues not discovered in our due diligence process, including product quality issues and legal contingencies.

Such acquisitions, alliances, and investments often involve significant transaction-related costs and could cause short-term disruption to normal operations. In the future we may also make debt or equity investments. If we are unable to overcome or counter these risks, it could undermine our business and lower our operating results.

Our use of independent firms and contractors to perform some of our product development activities could expose us to risks that could adversely impact our revenues.

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 (including tax regulation), intellectual property ownership and rights, exchange rate fluctuation, political instability and unrest, natural disasters, and other risks, which could adversely impact our revenues.

An interruption of our supply of certain key components from our sole source suppliers, or a price increase in such components, could hurt our business.

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 should fail to supply or enhance such components, it could imperil our supply of these components and our ability to continue selling and servicing products that use these components. Similarly, if any of our sole source vendors should encounter 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 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, our gross profit margin on these products could decrease and our operating results could be adversely affected.

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 and Apple 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 we need to qualify and support new platforms, we could be required to expend valuable engineering resources, which could 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;
- acceptance of our 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; and
- timing of delivery of "solutions" to customers.

Changes in any of these factors could affect our operating results.

Our operating results could be harmed by currency fluctuations.

We generally derive nearly half of our revenues from customers outside of 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 exchanges 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 currency gains or losses.

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. 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.

In recent years, our customers in the media, broadcast and content-creation industries delayed or reduced their expenditures in part because of unsettled economic conditions. The revenue growth and profitability of our business depends primarily on the overall demand for our products. 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 catastrophic events may seriously harm our business.

Terrorism, acts of war, or other catastrophic events may disrupt our business and harm our employees, facilities, suppliers, distributors, resellers or customers, which could significantly impact our revenue and operating results. The increasing presence of these threats has 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, and other conflicts and events.

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 video products and services, and substantially all of our audio products and services, indirectly through resellers and distributors. The resellers and distributors of our video segment products typically purchase Avid software and Avid-specific hardware from us, and third-party components from various 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. Increasingly, we are distributing our products directly, which could put us in competition with our resellers and distributors and could adversely affect our revenues. In addition, our resellers could diversify the manufacturers from whom they purchase products to sell to the final end-users, which could lead to a weakening of our relationships with our resellers 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 such resellers and distributors 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.

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 employees including members of our executive team and those in certain technical positions. 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. In the past, we have relied on our ability to grant stock options as one mechanism for recruiting and retaining highly skilled talent. Recent proposed accounting regulations requiring the expensing of stock options may impair our future ability to provide these incentives without incurring significant compensation costs. If we are unable to compete successfully for our key 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.

Federal, state, and international authorities may adopt new laws and regulations governing the Internet, including laws and regulations covering issues such as privacy, distribution, and content. For example, the European Union has issued several directives regarding privacy and data protection, including the Directive on Data Protection and the Directive on Privacy and Electronic Communications. The enactment of legislation implementing such directives by member countries is ongoing. The enactment of this and similar legislation or regulations could impede the growth of the Internet, harm our Internet initiatives, require changes in our sales and marketing practices 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 intellectual property rights of others. We rely upon a combination of patent, copyright, trademark and trade secret laws, confidentiality procedures, and contractual provisions, as well as required hardware components and hardware security keys, to protect our proprietary technology. However, our means of protecting our proprietary rights may not be adequate. In addition, the laws of certain countries do not protect our proprietary technology to the same extent as do the laws of the United States. From time to time unauthorized parties have obtained, copied, and used information that we consider proprietary. Policing the unauthorized use of our proprietary technology is costly and time-consuming and we are unable to measure the extent to which piracy of our software exists. We expect software piracy 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 I, "Commitments and Contingencies" in our audited financial statements filed on Form 10-K.

The Sarbanes-Oxley Act of 2002 has caused our operating expenses to increase and has put additional demands on our management.

The Sarbanes-Oxley Act of 2002 and newly enacted rules and regulations of the Securities and Exchange Commission and the NASDAQ stock market impose new duties on us and our executives, directors, attorneys and independent auditors. In order to comply with the new legislation, we have had to hire additional personnel and use additional outside legal, accounting and advisory services. These actions have increased our operating expenses. In addition, the new legislation has made some corporate actions more challenging, such as proposing new or amendments to stock option plans, which now require stockholder approval, or obtaining affordable director and officer liability insurance. The added demands imposed by the new legislation may also make it more difficult for us to attract and retain qualified executive officers, key personnel and members of our board of directors.

If we experience problems with our third-party leasing program, our revenues could be adversely impacted.

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 experienced volatility in the past and could continue to 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
- global macroeconomic conditions.

Further, the stock market has experienced 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 financial, including the effect of volatility in currencies on asset and liability positions and revenue and operating expenses 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 nearly 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 short-term foreign currency forward-exchange contracts. There are two objectives of our foreign currency forward-exchange contract program: (1) to offset any foreign exchange currency risk associated with cash receipts expected to be received from our customers over the next 30 day period and (2) to offset the impact of foreign currency exchange on the Company's net monetary assets denominated in currencies other than the U.S. dollar. These forward-exchange contracts typically mature within 30 days of purchase. 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 June 30, 2004, we had $42.4 million of forward-exchange contracts outstanding, denominated in euros, British pounds, Singapore dollars, Australian dollars, Japanese yen and Canadian dollars as a hedge against forecasted foreign currency-denominated receivables, payables and cash balances. For the three- and six-month periods ended June 30, 2004, net gains of $0.1 million and $0.1 million, respectively, resulting from forward-exchange contracts were included in results of operations, offset by net transaction and re-measurement losses on the related asset and liabilities for the same periods of $0.8 million and $1.3 million, respectively. 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 June 30, 2004, we held $190.7 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. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2004. In designing and evaluating our disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applied its judgment in evaluating the cost-benefit relationships of possible controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2004, our disclosure controls and procedures were (1) designed to ensure that material information relating to us, including our consolidated subsidiaries, is made known to our Chief Executive Officer and Chief Financial Officer by others within those entities, particularly during the period in which this report was being prepared and (2) effective, in that they provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended June 30, 2004 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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 Avid and Tektronix, and sought lost future profits, treble damages, attorneys' fees, and interest. In March 2001, the United States District Court for the District of California dismissed the anti-trust claims against both parties and the remaining common law claim against the Company was dismissed by stipulation and court order on April 6, 2001. Glen Holly subsequently appealed the lower court's decision. On September 9, 2003, a three-judge panel of the U.S. Court of Appeals for the Ninth Circuit reversed in part the lower court's dismissal and sent the antitrust claims back to the lower court for further findings. Avid and Tektronix filed a Petition for a rehearing by the three-judge panel and a rehearing by the full Ninth Circuit on September 23, 2003. The Petition was denied on December 12, 2003. On March 18, 2004, the Company entered into a settlement agreement with Glen Holly whereby each party issued a general release of all claims relating to the allegations made in this lawsuit. In consideration of the settlement, Avid agreed to make a payment to Glen Holly of $1,050,000 and accordingly, $985,000 was paid in March 2004 and the remaining $65,000 was paid in April 2004. This amount is included in other income (expense), net for the six-month period ended June 30, 2004. On March 19, 2004, Avid filed an application for determination of good faith settlement with the U.S. District Court requesting that it determine whether Tektronix had a right to contribution or indemnification from Avid arising from claims asserted in the lawsuit. On June 17, 2004, the U.S. District Court issued a ruling in which it determined that Tektronix had no such right. On June 24, 2004, Glen Holly filed a stipulation of dismissal with the Court, dismissing all claims alleged against the Company in this proceeding. On July 14, 2004, the court issued an order finding that the settlement agreement between Avid and Glen Holly was entered into in good faith under applicable law.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its Annual Meeting of Stockholders on May 26, 2004. At the meeting, David Krall and Pamela Lenehan were reelected as Class II Directors. The vote with respect to each nominee is set forth below:

	Total Vote For Each Director	Total Vote Withheld From Each Director
Mr. Krall	28,584,344	901,535
Ms. Lenehan	27,681,050	1,804,829

Additional Directors of the Company whose term of office continued after the meeting are George Billings, John Guttag, Robert Halperin, Nancy Hawthorne and William Warner.

In addition, the stockholders ratified the selection of PricewaterhouseCoopers LLP as the Company's independent auditors by a vote of 28,690,592 shares for, 787,400 shares against, and 7,950 shares abstaining.

ITEM 5. OTHER INFORMATION

A proposal that a stockholder would like included in the Company's proxy statement for the 2005 Annual Meeting must be received by the Secretary of the Company at its principal office in Tewksbury, Massachusetts no later than December 17, 2004.

If a stockholder intends to present a proposal at the 2005 Annual Meeting of Stockholders, but not have such proposal included in the Company's proxy statement, the proposal must be submitted to the Secretary of the Company at the Company's principal offices no later than March 28, 2005 or 60 days before the date of the 2005 Annual Meeting, whichever is later. The Company has not yet set a date for the 2005 Annual Meeting; however, if the 2005 Annual Meeting is held on May 26, 2005 (the anniversary of the 2004 Annual Meeting), the deadline for delivery of the proposal is expected to be March 28, 2005.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

31.1 Certification of Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 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

No reports on Form 8-K were filed by us during the second quarter ended June 30, 2004. We furnished a Current Report on Form 8-K on April 15, 2004, reporting under Item 12 that on April 15, 2004, we announced our financial results for our first quarter ended March 31, 2004 and certain other information. No financial statements were filed, although we furnished the financial information included in the press release furnished with the 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: August 6, 2004 By: /s/ Paul J. Milbury

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

Date: August 6, 2004 By: /s/ Carol L. Reid

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

EXHIBIT INDEX

Exhibit No.	Description
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32.1	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

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

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2004

/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 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

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

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2004

/s/ Paul J. Milbury

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

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 the Quarterly Report on Form 10-Q of Avid Technologies, Inc. (the "Company") for the period ended June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, David A. Krall, President and Chief Executive Officer of the Company, and Paul J. Milbury, Chief Financial Officier 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: August 6, 2004

/s/ David A. Krall

David A. Krall
President and Chief Executive Officer

Dated: August 6, 2004

/s/ Paul J. Milbury

Paul J. Milbury
Chief Financial Officer