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

May 13, 1998

OFIS Filer Support
SEC Operations Center
6432 General Green Way
Alexandria, VA 22312-2413

Re: Avid Technology, Inc.
File No. 0-21174
Quarterly Report on Form 10-Q

Ladies and Gentlemen:

Pursuant to regulations of the Securities and Exchange Commission, submitted herewith for filing on behalf of Avid Technology, Inc. is the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1998.

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

Very truly yours,

/s/ Frederic G. Hammond

Frederic G. Hammond
General Counsel

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1998

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.)

METROPOLITAN 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 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).

Yes X No _____

Indicate by check mark whether the registrant has been subject to such filing requirements for the past 90 days.

Yes X No _____

The number of shares outstanding of the registrant's Common Stock as of May 11, 1998 was 23,337,640.

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AVID TECHNOLOGY, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1998

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ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AVID TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	Three Months Ended March 31,	
	1998	1997
	(unaudited)	(unaudited)
Net revenues	$108,742	$108,209
Cost of revenues	45,527	56,185
Gross profit	63,215	52,024
Operating expenses:		
Research and development	20,312	16,416
Marketing and selling	27,694	28,297
General and administrative	6,579	5,803
Total operating expenses	54,585	50,516
Operating income	8,630	1,508
Interest and other income, net	2,536	1,240
Income before income taxes	11,166	2,748
Provision for income taxes	3,461	962
Net income	$7,705	$1,786
Net income per common share - basic	$0.34	$0.08
Net income per common share - diluted	$0.31	$0.08
Weighted average common shares outstanding - basic	22,908	21,550
Weighted average common shares outstanding - diluted	24,587	21,750

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

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

	March 31, 1998 (unaudited)	December 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$97,160	$108,308
Marketable securities	101,406	78,654
Accounts receivable, net of allowances of $7,228 and $7,529 in 1998 and 1997, respectively	67,523	79,773
Inventories	10,906	9,842
Deferred tax assets	16,919	17,160
Prepaid expenses	5,804	4,645
Other current assets	2,929	2,700
Total current assets	302,647	301,082
Property and equipment, net	37,230	38,917
Long-term deferred tax assets	14,820	14,820
Other assets	2,854	1,986
Total assets	$357,551	$356,805
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$22,076	$22,166
Current portion of long-term debt	725	783
Accrued compensation and benefits	14,785	23,737
Accrued expenses	29,558	30,249
Income taxes payable	13,529	11,210
Deferred revenues	26,312	26,463
Total current liabilities	106,985	114,608
Long-term debt, less current portion	192	403
Commitments and contingencies		
Stockholders' equity:		
Preferred stock		
Common stock	240	242
Additional paid-in capital	252,838	252,307
Retained earnings	30,797	27,286
Treasury stock	(24,296)	(27,548)
Deferred compensation	(7,047)	(8,034)
Cumulative translation adjustment	(2,161)	(2,472)
Net unrealized gains on marketable securities	3	13
Total stockholders' equity	250,374	241,794
Total liabilities and stockholders' equity	$357,551	$356,805

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

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

	Three Months Ended March 31,	
	1998 (unaudited)	1997 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$7,705	$1,786
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,122	6,427
Compensation from stock grants and options	1,534	
Provision for doubtful accounts	58	479
Changes in deferred tax assets	260	(155)
(Gain)/loss on disposal of equipment	(292)	504
Changes in operating assets and liabilities:		
Accounts receivable	11,888	14,500
Inventories	(795)	5,985
Prepaid expenses and other current assets	(1,409)	(744)
Accounts payable	(99)	876
Income taxes payable	2,303	4,888
Accrued expenses, compensation, and benefits	(9,086)	2,406
Deferred revenues	(100)	(1,172)
NET CASH PROVIDED BY OPERATING ACTIVITIES	18,089	35,780
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capitalized software development costs	(20)	(107)
Purchases of property and equipment and other assets	(5,941)	(3,869)
Proceeds from disposal of equipment	629	316
Purchases of marketable securities	(54,924)	(8,983)
Proceeds from sales of marketable securities	32,164	9,343
NET CASH USED IN INVESTING ACTIVITIES	(28,092)	(3,300)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of long-term debt	(269)	(521)
Purchase of common stock for treasury	(5,963)	
Proceeds from issuance of common stock	5,006	15,806
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(1,226)	15,285
Effects of exchange rate changes on cash and cash equivalents	81	(579)
Net increase (decrease) in cash and cash equivalents	(11,148)	47,186
Cash and cash equivalents at beginning of period	108,308	75,795
Cash and cash equivalents at end of period	$97,160	$122,981

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 ("the Company"). The interim financial statements are unaudited. However, in the opinion of management, the condensed consolidated financial statements include all adjustments, consisting of only normal, recurring adjustments, necessary for their fair presentation. Interim results are not necessarily indicative of results expected for a full year. The accompanying unaudited condensed financial statements have been prepared in accordance with the instructions for Form 10-Q and therefore do not include all information and footnotes necessary for a complete presentation of operations, the financial position and cash flows of the Company, in conformity with generally accepted accounting principles. The Company filed audited consolidated financial statements for the year ended December 31, 1997 on Form 10-K which included all information and footnotes necessary for such presentation.

The Company's preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. The most significant estimates included in these financial statements include accounts receivable and sales allowances, inventory valuation and income tax valuation allowances. Actual results could differ from those estimates.

2. NET INCOME PER COMMON SHARE

The Company computes basic and diluted earnings per share in accordance with Financial Accounting Standards No. 128, "Earnings per Share". The following table reconciles the numerator and denominator of the basic and diluted earnings per share computations shown on the Condensed Consolidated Statements of Operations:

(In thousands, except per share data)

	For the Three Months Ended March 31,	
	1998	1997
Basic EPS		
Numerator:		
Net income	$7,705	$1,786
Denominator:		
Common shares outstanding	22,908	21,550
Basic EPS	$0.34	$0.08
Diluted EPS		
Numerator:		
Net income	$7,705	$1,786
Denominator:		
Common shares outstanding	22,908	21,550
Common stock equivalents	1,679	200
	24,587	21,750
Diluted EPS	$0.31	$0.08

Options to purchase 71,747 and 3,432,900 shares of common stock outstanding at March 31, 1998 and 1997, respectively, were excluded from the calculation of diluted earnings per share because the exercise prices of those options exceeded the average market price of common stock for the three month periods ended March 31, 1998 and 1997, respectively.

3. INVENTORIES

Inventories consist of the following (in thousands):

	March 31, 1998	December 31, 1997
Raw materials	$6,760	$5,488
Work in process	781	674
Finished goods	3,365	3,680
	$10,906	$9,842

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following (in thousands):

	March 31, 1998	December 31, 1997
Computer and video equipment	$77,425	$75,042
Office equipment	4,626	4,652
Furniture and fixtures	6,842	6,820
Leasehold improvements	13,064	13,105
	101,957	99,619
Less accumulated depreciation and amortization	64,727	60,702
	$37,230	$38,917

5. CONTINGENCIES

On June 7, 1995, the Company filed a patent infringement complaint in the United States District Court for the District of Massachusetts against Data Translation, Inc., a Marlboro, Massachusetts-based company. Avid is seeking judgment against Data Translation that, among other things, Data Translation has willfully infringed Avid's patent number 5,045,940, entitled "Video/Audio Transmission System and Method". Avid is also seeking an award of treble damages together with prejudgment interest and costs, Avid's costs and reasonable attorneys' fees, and an injunction to prohibit further infringement by Data Translation. The litigation has been dismissed without prejudice (with leave to refile) pending a decision by the U.S. Patent and Trademark Office on a reissue patent application based on the issued patent.

In December 1995, six purported shareholder class action complaints were filed in the United States District Court for the District of Massachusetts naming the Company and certain of its underwriters and officers and directors as defendants. On July 31, 1996, the six actions were consolidated into two lawsuits: one brought under the 1934 Securities Exchange Act (the "`34 Act suit") and one under the 1933 Securities Act (the "`33 Act suit"). Principal allegations contained in the two complaints include claims that the defendants violated federal securities laws and state common law by allegedly making false and misleading statements and by allegedly failing to disclose material information that was required to be disclosed, purportedly causing the value of the Company's stock to be artificially inflated. The `34 Act suit was brought on behalf of all persons who bought the Company's stock between July 26, 1995 and December 20, 1995. The `33 Act suit was brought on behalf of persons who bought the Company's stock pursuant to its September 21, 1995 public offering. Both complaints seek unspecified damages for the decline of the value of the Company's stock during the applicable period. A motion to dismiss both the `34 Act suit and the `33 Act suit was filed on October 18, 1996. After briefing and argument on the motions, the Court issued its decision on August 14, 1997. With respect to the `33 Act suit, the Court dismissed the claims against the underwriters, dismissed the claims brought against the Company under ss.12(2) of the `33 Act, and dismissed the plaintiffs' claims relating to the Company's all digital newsroom (in both the `33 Act and `34 Act cases) on the grounds that the plaintiffs had failed to allege a material misrepresentation or omission. Finding that it was required to draw all reasonable inferences in favor of the plaintiffs, the Court declined to dismiss the plaintiffs' remaining claims in the `33 Act case and the `34 Act claims relating to matters other than the all digital newsroom. On September 26, 1997, the plaintiffs filed a motion seeking to have the Court reconsider its dismissal of the underwriters from the `33 Act suit, which the underwriters have opposed. The plaintiffs also sought leave to amend their `33 Act Complaint to add new claims concerning the all digital newsroom, which the Company opposed. In February 1998, the Company and the

Plaintiffs entered into a Stipulation of Settlement in both suits and the judge issued an order granting preliminary approval to the settlement. A Final Settlement Approval hearing is scheduled for May 28, 1998. The Company believes the potential settlement will not have a material effect on the Company's consolidated financial position or results of operations. In the event the settlement is not finally approved, the Company believes that it and the other defendants have meritorious defenses to the remaining allegations made by the plaintiffs and intends to contest these lawsuits vigorously. Nonetheless, in the event the settlement is not approved, an adverse resolution of this litigation could have a material adverse effect on the Company's consolidated financial position or results of operations in the period in which the litigation is resolved. In such event, a reasonable estimate of the Company's potential loss for damages cannot be made at this time.

On March 11, 1996, the Company was named as defendant in a patent infringement suit filed in the United States District Court for the Western District of Texas by Combined Logic Company, a California partnership located in Beverly Hills, California. On May 16, 1996, the suit was transferred to the United States District Court for the Southern District of New York on motion by the Company. The complaint alleges infringement by Avid of U.S. patent number 4,258,385, issued in 1981, and seeks injunctive relief, treble damages and costs, and attorneys' fees. The Company believes that it has meritorious defenses to the complaint and intends to contest it vigorously. However, an adverse resolution of this litigation could have a material 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.

The Company also receives inquiries from time to time with regard to additional possible patent infringement claims. These inquiries are generally referred to counsel and are in various stages of discussion. If any infringement is determined to exist, the Company may seek licenses or settlements. In addition, from time to time 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 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.

6. CAPITAL STOCK

On March 24, 1997, the Company issued 1,552,632 shares of its common stock to Intel Corporation in exchange for approximately $14,727,000 in cash. The Company used the net proceeds for working capital and other general corporate purposes.

During June and July 1997, the Company granted 347,200 shares of $.01 par value restricted common stock to certain employees under the 1997 Stock Incentive Plan approved by the shareholders on June 4, 1997. These shares vest annually in 20% increments beginning May 1, 1998. Accelerated vesting may occur if certain stock price performance goals established by the Board of Directors are met including an additional 20% which will vest on May 1, 1998. Unvested restricted shares are subject to forfeiture in the event that an employee ceases to be employed by the Company. The Company initially recorded, as a separate component of stockholders' equity, deferred compensation of approximately $9,100,000 with respect to this restricted stock. This deferred compensation represents the excess of fair value of the restricted shares at the date of the award over the purchase price and is recorded as compensation expense ratably as the shares vest.

On October 23, 1997 and February 5, 1998, the Company announced that the Board of Directors authorized the repurchase of up to 1.0 million and 1.5 million shares, respectively, of the Company's common stock. Purchases have and will be made in the open market or in privately negotiated transactions. The Company has used and will continue to use any repurchased shares for its employee stock plans. As of December 31, 1997, the Company had repurchased a total of 1.0 million shares at a cost of $28,776,000, which completed the program announced in October. As of March 31, 1998, the Company had repurchased approximately 180,000 shares at a cost of $5,963,000, under the program announced during February.

7. RECENT ACCOUNTING PRONOUNCEMENTS

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130 ("SFAS 130"), "Reporting Comprehensive Income". Statement No. 130 requires the reporting of comprehensive income in addition to net income from operations. Comprehensive income is a more inclusive reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income. The adoption of SFAS 130 had no impact on the Company's net income or stockholder's equity. Total comprehensive income, net of taxes, for the three months ended March 31, 1998 and 1997 was $7,913,000 and $1,113,000, respectively, which consists of net income, the net changes in foreign currency translation adjustment and the net unrealized losses on available-for-sale securities.

In March 1998, Statement of Position 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"), was issued which provides guidance on applying generally accepted accounting principles in addressing whether and under what condition the costs of internal-use software should be capitalized. SOP 98-1 is effective for transactions entered into in fiscal years beginning after December 15, 1998, however earlier adoption is encouraged. The Company adopted the guidelines of SOP 98-1 as of January 1, 1998, and the impact of such adoption was not material to results of operations or cash flows for the quarter ended March 31, 1998.

PART I. FINANCIAL INFORMATION

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

OVERVIEW

The text of this document may include forward-looking statements. Actual results may differ materially from those described herein, depending on such factors as are described herein, including under "Certain Factors That May Affect Future Results".

Avid develops and provides digital film, video and audio editing and special effects software and hardware technologies to create media content for information and entertainment applications. Integrated with the Company's digital storage and networking solutions, Avid's products are used worldwide in film studios; video production and post-production facilities; network, independent and cable television stations; recording studios; advertising agencies; government and educational institutions; corporate communications departments; and by individual home users.

RESULTS OF OPERATIONS

Net Revenues

The Company's net revenues have derived mainly from the sales of disk-based digital, nonlinear media editing systems and related peripherals, licensing of related software, and sales of software maintenance contracts. Net revenues increased to $108.7 million in the quarter ended March 31, 1998 from $108.2 million in the same quarter of last year. Revenues reflected increased sales of MCXpress and Avid Xpress, storage peripherals, customer service, and digital audio products. These increased revenues were offset by a reduction in sales of Avid Cinema and Media Composer products. During 1997, the Company began shipments of new versions of MCXpress and Avid Xpress, AudioVision 4.0, Pro Tools 24, AvidNews, and MediaShare F/C. In February 1998, the Company began shipments of version 7.0 of Media Composer and Film Composer as well as version 2.0 of Avid Xpress. To date, product returns of all products have been immaterial.

The Company continues to shift an increasing proportion of its sales through indirect channels such as distributors and resellers. Net revenues derived through indirect channels were greater than 65% of net revenue for the three months ended March 31, 1998, compared to greater than 55% of net revenue for the same period in 1997.

International sales (sales to customers outside the U.S. and Canada) accounted for approximately 47.8% and 48.4% of the Company's first quarter 1998 and 1997 net revenues, respectively. International sales were essentially flat in the first quarter of 1998 compared to the same period in 1997. Revenue growth from 1997 to 1998 was impacted adversely by the strengthening of the U.S. dollar against various currencies.

Gross Profit

Cost of revenues consists primarily of costs associated with the acquisition of components; the assembly, test, and distribution of finished products; provisions for inventory obsolescence; warehousing; shipping; and post-sales customer support costs. The resulting gross profit fluctuates based on factors such as the mix of products sold, the cost and proportion of third-party hardware included in the systems sold by the Company, the distribution channels through which products are sold, the timing of new product introductions, the offering of product upgrades, price discounts and other sales promotion programs and sales of aftermarket hardware products. Gross margin increased to 58.1% in the first quarter of 1998 compared to 48.1% in the same period of 1997. This increase was primarily due to lower material costs, continued improvements in manufacturing efficiencies, and improved service margins. The Company currently expects that 1998 gross margins will approximate results of the two most recent quarters.

Research and Development

Research and development expenses increased by $3.9 million (23.7%) in the first quarter of 1998 compared to the same period in 1997. The increase was primarily due to additions to the Company's engineering staffs for the continued development of new and existing products and higher compensation-related costs as compared to the first quarter of 1997. Research and development expenses increased as a percentage of net revenues to 18.7% in the first quarter of 1998 from 15.2% for the same period in 1997. This increase was primarily due to the increase in research and development expenses with relatively flat revenues. The Company capitalized immaterial amounts of software development costs during the first quarter of 1998 and 1997. These costs will be amortized into cost of revenues over the estimated life of the related products, generally 12 to 24 months. Amortization totaled approximately $69,000 and $429,000 in the first quarter of 1998 and 1997, respectively. The capitalized software development costs are associated primarily with enhancements to Media Composer and Pro Tools software, as well as the development of software to be used in other products.

Marketing and Selling

Marketing and selling expenses decreased by approximately $600,000 (2.1%) in the first quarter of 1998 compared to the same period in 1997 primarily due to the continued effect of the shift to an indirect sales model, resulting in savings in compensation, facilities and depreciation costs. These savings were partially offset by the cost of marketing programs. Marketing and selling expenses decreased as a percentage of net revenues to 25.5% in the first quarter of 1998 from 26.1% for the same period in 1997. This decrease was primarily due to the decrease in marketing and selling expenses with relatively flat revenues.

General and Administrative

General and administrative expenses increased by $776,000 (13.4%) in the first quarter of 1998 compared to the same period in 1997. This increase in general and administrative expenses was primarily due to higher compensation-related costs as compared to the first quarter of 1997. General and administrative expenses increased as a percentage of net revenues to 6.1% in the first quarter of 1998 from 5.4% for the same period in 1997 primarily due to the increase in general and administrative expenses with relatively flat revenues.

Interest and Other Income, Net

Interest and other income, net consists primarily of interest income, other income and interest expense. Interest and other income, net for the first quarter in 1998 increased $1.3 million as compared to the same period in 1997. This increase in interest and other income, net was primarily due to higher investment balances.

Provision for Income Taxes

The Company's effective tax rate was 31% for the first quarter of 1998, compared to 35% for the same quarter in 1997. The 1998 effective tax rate of 31% is different from the Federal statutory rate of 35% due primarily to the Company's foreign subsidiaries, which are taxed in the aggregate at a lower rate, and the U.S. Federal Research Tax Credit.

LIQUIDITY AND CAPITAL RESOURCES

The Company has funded its operations to date through both private and public sales of equity securities as well as through cash flows from operations. As of March 31, 1998, the Company's principal sources of liquidity included cash, cash equivalents and marketable securities totaling approximately $198.6 million.

The Company's operating activities generated cash of $18.1 million in the first quarter of 1998 compared to $35.8 million in the first quarter of 1997. Cash was generated during the first quarter of 1998 primarily from net income, as well as from collections of accounts receivable offset by a decrease in accrued expenses. In the first quarter of 1997, cash was generated primarily from collections of accounts receivable and reductions in inventory.

The Company purchased $5.9 million of property and equipment and other assets during the first quarter of 1998, compared to $3.9 million in the same period in 1997. These purchases included primarily hardware and software for the Company's information systems and equipment to support research and development activities.

The Company has an unsecured line of credit with a group of banks which provides for up to $35.0 million in revolving credit. The line of credit agreement expires on June 30, 1998. Under the terms of the agreement, the Company must pay an annual commitment fee of 1/4% of the average daily unused portion of the facility, payable quarterly in arrears. The Company has two loan options available under the agreement: the Base Rate Loan and the LIBOR Rate Loan. The interest rates to be paid on the outstanding borrowings for each loan annually are equal to the Base Rate or LIBOR plus 1.25%, respectively. Additionally, the Company is required to maintain certain financial ratios and is bound by covenants over the life of the agreement, including a restriction on the payment of dividends. The Company had no borrowings against this facility as of March 31, 1998. The Company believes existing cash and marketable securities, internally generated funds and available borrowings under its bank credit line will be sufficient to meet the Company's cash requirements, including capital expenditures, at least through the end of 1998. In the event the Company requires additional financing, the Company believes that it would be able to obtain such financing; however, there can be no assurance that it would be successful in doing so, or that it could do so on terms favorable to the Company.

On October 23, 1997 and February 5, 1998, the Company announced that the Board of Directors authorized the repurchase of up to 1.0 million and 1.5 million shares, respectively, of the Company's common stock. Purchases have and will be made in the open market or in privately negotiated transactions. The Company has used and will continue to use any repurchased shares for its employee stock plans. As of December 31, 1997, the Company had repurchased a total of 1.0 million shares at a cost of approximately $28.8 million, which completed the program announced in October. As of March 31, 1998, the Company had repurchased approximately 180,000 shares at a cost of approximately $6.0 million, under the program announced during February.

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS

A number of uncertainties exist that could affect the Company's future operating results, including, without limitation, the following:

The Company's gross margin has fluctuated, and may continue to fluctuate, based on factors such as the mix of products sold, cost and the proportion of third-party hardware included in the systems sold by the Company, the distribution channels through which products are sold, the timing of new product introductions, the offering of product and platform upgrades, price discounts and other sales promotion programs, the volume of sales of aftermarket hardware products, the costs of swapping or fixing products released to the market with errors or flaws, provisions for inventory obsolescence, allocations of overhead costs to manufacturing and customer support costs to cost of goods, sales of third-party computer hardware to its distributors, and competitive pressure on selling prices of products. The Company's systems and software products typically have higher gross margins than storage devices and product upgrades. Gross profit varies from product to product depending primarily on the proportion and cost of third-party hardware included in each product. The Company, from time to time, adds functionality and features to its systems. If such additions are accomplished through the use of more, or more costly, third-party hardware, and if the Company does not increase the price of such systems to offset these increased costs, the Company's gross margins on such systems would be adversely affected. In addition, in 1997 and during the first quarter of 1998, the Company installed server-based, all-digital broadcast newsroom systems at certain customer sites. Some of these systems have been accepted by customers, and the resulting revenues and associated costs were recognized by the Company. Others of these systems have not yet been accepted by customers. The Company believes that such installations, when and if fully recognized as revenue on customer acceptance, will be profitable. However, the Company is unable to determine whether and when the systems will be accepted. In any event, the Company believes that, because of the high proportion of third-party hardware, including computers and storage devices, included in such systems, the gross margins on such sales will be lower than the gross margins generally on the Company's other systems.

The Company has shifted an increasing proportion of its sales through indirect channels such as distributors and resellers. The majority of the Company's product sales to the broadcast industry, however, continues to be sold on a direct basis. The Company believes the overall shift to indirect channels has resulted in an increase in the number of software and circuit board "kits" sold through indirect channels in comparison with turnkey systems consisting of CPUs, monitors, and peripheral devices, including accompanying software and circuit boards, sold by the Company through its direct sales force to customers. Resellers and distributors typically purchase software and "kits" from the Company and other turnkey components from other vendor sources in order to produce complete systems for resale. Therefore, to the extent the Company increases its sales through indirect channels, its revenue per unit sale will be less than it would have been had the same sale been made directly by the Company. In the event the Company is unable to increase the volume of sales in order to offset this decrease in revenue per sale or is unable to continue to reduce its costs associated with such sales, profits could be adversely affected.

The Company's operating expense levels are based, in part, on its expectations of future revenues. In recent quarters more than 45% of the Company's revenues for the quarter have been recorded in the third month of the quarter. Further, in many cases, quarterly operating expense levels cannot be reduced 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, the Company's operating results would be adversely affected and there can be no assurance that the Company would be able to operate profitably. Reductions of certain operating expenses, if incurred, in the face of lower than expected revenues could involve material one-time charges associated with reductions in headcount, trimming product lines, eliminating facilities and offices, and writing off certain assets.

The Company has significant deferred tax assets in the accompanying balance sheets. The deferred tax assets reflect the net tax effects of tax credit and operating loss carryforwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Although realization is not assured, management believes it is more likely than not that all of the deferred tax asset will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced.

The Company has expanded its product line to address the digital media production needs of the television broadcast news market, online film and video finishing market and the emerging market for multimedia production tools, including the corporate user market. The Company has limited experience in serving these markets, and there can be no assurance that the Company will be able to develop such products successfully, that such products will achieve widespread customer acceptance, or that the Company will be able to develop distribution and support channels to serve these markets. A significant portion of the Company's future growth will depend on customer acceptance in these and other new markets. Any failure of such products to achieve market acceptance, additional costs and expenses incurred by the Company to improve market acceptance of such products and to develop new distribution and support channels, or the withdrawal from the market of such products or of the Company from such new markets could have a material adverse effect on the Company's business and results of operations.

The Company has from time to time developed new products, or upgraded existing products that incorporate advances in enabling technologies. The Company believes that further advances will occur in such enabling technologies, including microprocessors, computers, operating systems, networking technologies, bus architectures, storage devices, and digital media formats. The Company may be required, based on market demand or the decision of certain suppliers, to end the manufacturing of certain products based on earlier generations of technology, to upgrade existing products or develop other products that incorporate these further advances. In particular, the Company believes that it will be necessary to develop additional products which operate using Intel Architecture ("IA")-based computers and the Windows NT operating system. There can be no assurance that customers will not defer purchases of existing Apple-based products in anticipation of the release of IA-based or NT-based products, that the Company will be successful in developing additional IA-based, NT-based or other new products or that they will gain market acceptance, if developed. Any deferral by customers of purchases of existing Apple-based products or any failure by the Company to develop such new products in a timely way or to gain market acceptance for them could have a material adverse effect on the Company's business and results of operations.

The Company's products operate primarily only on Apple computers. There can be no assurance that customers will not delay purchases of Apple-based products, or purchase competitors' products based on non-Apple computers, that Apple will continue to develop and manufacture products suitable for the Company's existing and future markets or that the Company will be able to secure an adequate supply of Apple computers, the occurrence of any of which could have a material adverse effect on the Company's business and results of operations.

The Company is also dependent on a number of other suppliers as sole source vendors of certain other key components of its products and systems. Products purchased by the Company from sole source vendors include computers from Apple and SGI; video compression chips manufactured by C-Cube Microsystems; a small computer systems interface ("SCSI") accelerator board from ATTO Technology; a 3D digital video effects board from Pinnacle Systems; application specific integrated circuits ("ASICS") from AMI, Atmel, and LSI Logic; digital signal processing integrated circuit from Motorola; and a fibre channel adapter card from Adaptec. The Company purchases these sole source components pursuant to purchase orders placed from time to time. The Company also manufactures certain circuit boards under license from Truevision, Inc. The Company generally does not carry significant inventories of these sole source components and has no guaranteed supply arrangements. No assurance can be given that sole source suppliers will devote the resources necessary to support the enhancement or continued availability of such components or that any such supplier will not encounter technical, operating or financial difficulties that might imperil the Company's supply of such sole source components. While the Company believes that alternative sources of supply for sole source components could be developed, or systems redesigned to permit the use of alternative components, its business and results of operations would be materially affected if it were to encounter an untimely or extended interruption in its sources of supply.

The markets for digital media editing and production systems are intensely competitive and subject to rapid change. The Company encounters competition in the video and film editing and effects, digital news production, and professional audio markets. Many current and potential competitors of the Company have substantially greater financial, technical, distribution, support, and marketing resources than the Company. Such competitors may use these resources to lower their product costs and thus be able to lower prices to levels at which the Company could not operate profitably. Further, such competitors may be able to develop products comparable or superior to those of the Company or adapt more quickly than the Company to new technologies or evolving customer requirements. Accordingly, there can be no assurance that the Company will be able to compete effectively in its target markets or that future competition will not adversely affect its business and results of operations.

A significant portion of the Company's business is conducted in currencies other than the U.S. dollar. Changes in the value of major foreign currencies relative to the value of the U.S. dollar, therefore, could adversely affect future revenues and operating results. The Company attempts to reduce the impact of currency fluctuations on results through the use of forward exchange contracts that hedge foreign currency-denominated intercompany net receivables or payable balances. The Company has generally not hedged transactions with external parties, although it periodically re-evaluates its hedging practices.

The Company is involved in various legal proceedings, including patent and securities litigation; an adverse resolution of any such proceedings could have a material adverse effect on the Company's business and results of operations. See Note 6 to Condensed Consolidated Financial Statements, and ITEM 3, "Legal Proceedings", of the Company's annual report or Form 10-K for the year ended December 31, 1997.

The Company recognizes that it must ensure that its products and operations will not be adversely impacted by year 2000 software failures (the "Year 2000 issue") which can arise in time-sensitive software applications which utilize a field of two digits to define the applicable year. In such applications, a date using "00" as the year may be recognized as the year 1900 rather than the year 2000. In general, the Company expects to resolve Year 2000 issues through planned replacement or upgrades. In addition, the Company expects that any costs incurred to modify its internal systems will not be material. Although management does not expect Year 2000 issues to have a material impact on its business or future results of operations, there can be no assurance that there will not be interruptions of operations or other limitations of system functionality or that the Company will not incur significant costs to avoid such interruptions or limitations.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

27 Financial Data Schedule

(b) REPORTS ON FORM 8-K. For the fiscal quarter ended March 31, 1998, the Company filed no Current Reports on Form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Avid Technology, Inc.

Date: May 13, 1998

By:/s/ William L. Flaherty

William L. Flaherty
Senior Vice President of
Finance, Chief Financial Officer
and Treasurer
(Principal Financial Officer)

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
27	Financial Data Schedule

THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED BALANCE SHEETS ON THE FORM 10-Q FOR THE PERIOD ENDED MARCH 31, 1998 AND THE CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AS FILED ON FORM 10-Q FOR THE PERIOD ENDED MARCH 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS
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JAN-01-1998
MAR-31-1998
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