



SIGNATURE

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

Date: October 27, 2005

AVID TECHNOLOGY, INC.  
(Registrant)

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

EXHIBIT INDEX

Exhibit	Description
99.1	Press release issued by the Registrant dated October 27, 2005.

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

## Avid Reports Strong Third Quarter Results

Tewksbury, MA - October 27, 2005 - Avid Technology, Inc. (NASDAQ: AVID) today reported revenues of \$204.4 million for the three months ended September 30, 2005 compared to \$147.4 million for the same period in 2004. Reflecting various non-cash charges primarily associated with the closing of the acquisition of Pinnacle Systems, Inc. on August 9, 2005, GAAP net loss for the quarter was \$17.8 million, or \$.46 per share compared to GAAP net income of \$19.0 million, or \$.54 per diluted share, in the third quarter of 2004.

Non-GAAP net income for the third quarter of 2005 was \$24.2 million, or \$.60 per diluted share, compared to non-GAAP net income of \$20.4 million, or \$.58 per diluted share in the corresponding quarter of 2004. In order to calculate non-GAAP net income, which the company believes is a more meaningful measure of normalized operating performance and will assist investors in understanding results of operations on a comparative basis, the following items have been excluded from third quarter 2005 GAAP net loss:

- o A non-recurring in-process research and development charge of \$32.4 million related to the Pinnacle acquisition.
- o Non-cash acquisition-related amortization charges of \$6.4 million.
- o Restructuring costs of \$2 million reflecting a revised estimate of a loss on a facility vacated by Avid in 1999.
- o A Pinnacle acquisition-related tax charge of \$1.2 million, offset by \$468,000 of tax benefits related to acquisition-related amortization and restructuring.
- o Stock-based compensation charges of \$458,000 related to the acquisition of M-Audio in August 2004.

"We had a strong third quarter with all segments performing well," said David Krall, Avid's president and chief executive officer. "We are especially pleased with the performance of our broadcast and storage solutions in our video division. The integration of the Deko and MediaStream products from Pinnacle into our broadcast offering is off to a great start, and we're looking forward to offering our broadcast customers an even more complete solution than we have in the past. Audio also had a strong quarter, with Digidesign benefiting from the release of the Mbox(R) 2 portable micro-studio and continuing demand for its digital mixing consoles. Finally, our new Pinnacle consumer segment delivered a solid quarter, driven by the release of Pinnacle Studio(TM) version 10."

Revenues for the nine months ended September 30, 2005, were \$530.5 million compared to revenues of \$414.6 million for the same period in 2004. GAAP net income for the first nine months of 2005 was \$15.6 million, or \$.41 per diluted share, compared to GAAP net income of \$49.2 million, or \$1.43 per diluted share, for the same period in 2004. Excluding the in-process research and development charge, acquisition-related amortization, stock-based compensation, the Pinnacle acquisition-related tax charge, the tax benefit related to amortization, restructuring costs, and non-recurring expenses in the first quarter of 2004 related to the settlement of a lawsuit, non-GAAP net income for the nine months ended September 30, 2005, was \$62.3 million, or \$1.63 per diluted share, compared to \$51.4 million, or \$1.50 per diluted share, for the first nine months of 2004.

### Use of Non-GAAP Financial Measures

The non-GAAP operating results listed above are "non-GAAP financial measures" under the rules of the Securities and Exchange Commission. These results have been included because management believes they are a meaningful measure of normalized operating performance and will assist investors in understanding the company's results of operations on a comparative basis. This non-GAAP information supplements, and is not intended to represent a measure of performance in accordance with disclosures required by generally accepted accounting principles, or GAAP. Management uses this information internally to more accurately assess the ongoing nature of operations and to measure performance on a comparative basis.

### Conference Call

A conference call to discuss Avid's third quarter 2005 financial results and the company's outlook for the fourth quarter of 2005 and the full year 2006 will be held today, October 27, at 5:00 p.m. EDT. The call will be open to the public, and can be accessed by dialing (913) 981-5509 and referencing confirmation code 6447118. The call and subsequent replay will also be available on Avid's web site. To listen via this alternative, go to the Investor Relations page under the About Us menu at [www.avid.com](http://www.avid.com) for complete details 10-15 minutes prior to the start of the conference call.

The above release includes forward-looking statements, as defined by the Private Securities Litigation Reform Act of 1995, about Avid's future performance. There are a number of factors that could cause actual events or results to differ materially from that indicated by such forward-looking statements, such as the competitive market in which Avid operates, market acceptance of Avid's existing and new products, Avid's ability to anticipate customer needs and the other factors set forth under the caption "Certain Factors That May Affect Future Results" in Avid's Form 10-Q for the quarter ended June 30, 2005, and other filings with the SEC. In addition, the forward-looking statements contained herein represent Avid's estimate only as of today and should not be relied upon as representing the company's estimate as of any subsequent date. While Avid may elect to update these forward-looking statements at some point in the future, Avid specifically disclaims any obligation to do so, even if the estimate changes.

About Avid Technology, Inc.

Avid Technology, Inc. is the world leader in digital nonlinear media creation, management, and distribution solutions, enabling film, video, audio, animation, games, and broadcast professionals to work more efficiently, productively, and creatively. For more information about the company's Oscar(R), Grammy(R), and Emmy(R) award-winning products and services, please visit: [www.avid.com](http://www.avid.com).

(C) 2005 Avid Technology, Inc. All rights reserved. Avid, Digidesign, Film Composer, M-Audio, Mbox, Pinnacle Studio and Pro Tools are either registered trademarks or trademarks of Avid Technology, Inc. or its subsidiaries in the United States and/or other countries. Avid received an Oscar statuette representing the 1998 Scientific and Technical Award for the concept, design, and engineering of the Avid Film Composer(R) system for motion picture editing. Digidesign, Avid's audio division, received an Oscar statuette representing the 2003 Scientific and Technical Award for the design, development, and implementation of its Pro Tools(R) digital audio workstation. Oscar is a trademark and service mark of the Academy of Motion Picture Arts and Sciences. Emmy is a registered trademark of ATAS/NATAS. Grammy is a trademark of the National Academy of Recording Arts and Sciences, Inc. All other trademarks contained herein are the property of their respective owners.



Non-GAAP net income	\$ 24,221	\$ 20,397
Stock-based compensation	(458)	(553)
In-process research & development	(32,390)	-
Amortization of intangible assets	(6,398)	(1,115)
Restructuring	(1,997)	-
GAAP tax adjustment provision (benefit), net	(735)	244
	-----	-----
GAAP net income (loss)	\$(17,757)	\$18,973
	=====	=====



Non-GAAP net income	\$ 62,308	\$ 51,449
Stock-based compensation	(1,830)	(553)
In-process research & development	(32,390)	-
Amortization of intangible assets	(10,146)	(2,103)
Restructuring	(1,997)	-
GAAP tax adjustment provision (benefit), net	(390)	1,444
Legal settlement	-	(1,050)
	-----	-----
GAAP net income	\$ 15,555	\$ 49,187
	=====	=====

Avid Technology, Inc.  
Condensed Consolidated Balance Sheets  
(in thousands)

	September 30, 2005	December 31, 2004
	-----	-----
<b>ASSETS:</b>		
Current assets:		
Cash and marketable securities	\$ 228,639	\$ 155,419
Accounts receivable, net of allowances of \$21,399 and \$9,334 at September 30, 2005 and December 31, 2004, respectively	127,743	97,536
Inventories	93,219	53,946
Prepaid and other current assets	24,356	19,407
	-----	-----
Total current assets	473,957	326,308
Property and equipment, net	39,237	29,092
Goodwill	395,832	165,803
Other intangible assets, net	128,751	46,884
Other assets	9,546	8,147
	-----	-----
Total assets	<u>\$1,047,323</u>	<u>\$ 576,234</u>
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>		
Current liabilities:		
Accounts payable	\$ 38,335	\$ 26,517
Accrued expenses and other current liabilities	113,137	74,727
Deferred revenues	70,514	48,680
	-----	-----
Total current liabilities	221,986	149,924
Long term liabilities, less current portion	11,736	1,689
	-----	-----
Total liabilities	233,722	151,613
	-----	-----
Stockholders' equity:		
Common stock	417	348
Additional paid-in capital	920,596	546,849
Accumulated deficit	(107,223)	(122,775)
Deferred compensation	(2,308)	(4,392)
Accumulated other comprehensive income	2,119	4,591
	-----	-----
Total stockholders' equity	813,601	424,621
	-----	-----
Total liabilities and stockholders' equity	<u>\$ 1,047,323</u>	<u>\$ 576,234</u>
	=====	=====