

FOR RELEASE:
May 23, 2006

NASDAQ: SNIC

Sonic Solutions Reports Results for Fourth Quarter and Fiscal Year Ended March 31, 2006

Sonic Reports Record Revenues and Profits for its full Fiscal Year

Novato, California (May 23, 2006) – Sonic Solutions® (NASDAQ: SNIC) today announced its financial results for the fourth quarter and fiscal year ended March 31, 2006.

Summary Financial Results (in thousands, except per share amounts)

	Three Months Ended March 31,			Twelve Months Ended March 31,	
	<u>2006 (Non-GAAP)</u> (unaudited)	<u>2006 (GAAP)</u> (unaudited)	<u>2005 (GAAP)</u> (unaudited)	<u>2006 (GAAP)</u> (unaudited)	<u>2005 (GAAP)</u>
Net revenue	\$40,436	\$40,436	\$35,604	\$ 148,676	\$ 90,627
Net income	\$ 8,501	\$ 2,094	\$ 1,399	\$ 19,301	\$ 8,542
Net income per diluted share	\$ 0.31	\$ 0.08	\$ 0.05	\$ 0.70	\$ 0.32

For the fiscal year, net revenue, gross profit and operating profit all reached record levels. Net revenue grew 64% in fiscal 2006 to \$148.7 million from \$90.6 million in fiscal 2005. Gross profit climbed 51% to \$114.6 million compared to \$75.9 million in fiscal 2005. Operating income rose 155% to \$24.0 million, from \$9.4 million in fiscal 2005. Net income for fiscal 2006 was a record \$19.3 million or \$0.70 per diluted share versus \$8.5 million or \$0.32 per diluted share in fiscal 2005.

For the quarter, net revenue was \$40.4 million, reflecting an increase of more than 13% from \$35.6 million for the fourth quarter of fiscal 2005. Gross profit was \$32.7 million compared to \$27.8 million for the fourth quarter of fiscal 2005, representing an increase of 18%. Operating income was \$9.3 million or 23% of revenue compared to \$2.1 million or 6% of revenue for the fourth quarter of fiscal 2005. Net income was \$2.1 million or \$0.08 per share in the fourth quarter of fiscal 2006 including an unusually high provision for income taxes. The non-GAAP presentation below is calculated based upon the same effective income tax rate (7.4%) as we used in our fiscal fourth quarter guidance. As a result, non-GAAP net income for the quarter was \$8.5 million and net income per diluted share on a non-GAAP basis was \$0.31.

Dave Habiger, President and Chief Executive Officer of Sonic, stated, "We are very pleased with the Company's performance this quarter and for the fiscal year, as we met or exceeded all of our operating goals. We expanded our technology and OEM partnerships, which continued to drive all areas of our business. As new formats and channels such as HD and download and burn, emerge and develop, we believe Sonic is well positioned to continue to lead the market for digital media software."

Non-GAAP Presentation

In this press release, Sonic provides an adjustment to financial information calculated on the basis of GAAP as supplemental information relating to its results of operations. These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with GAAP, and are intended to provide additional insight into our operations that, when viewed with our GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, offer a more complete understanding of factors and trends affecting our business. These non-GAAP measures should be considered as a supplement to, and not as a substitute for or superior to, the corresponding measures calculated in accordance with GAAP. The non-GAAP disclosures and the non-GAAP adjustments, including the basis for such adjustments and the impact on our operations, are outlined below:

Tax Adjustment. In our non-GAAP presentation, we have shown our net income calculated based upon the same effective income tax rate (7.4%) as we used in our fourth quarter guidance. As we have previously noted and due to our recent history of profitability, Sonic is in the process of transitioning from a company with substantial valuation allowances on its deferred tax assets and a low effective tax rate to a company with substantially reduced valuation allowances and an effective tax rate close to statutory rates. Over the past year and during this transition period, Sonic has experienced fluctuations in its effective tax rate based upon changes in its net value of deferred tax assets that it has accumulated over time. We believe that these fluctuations are not indicative of the overall fundamentals of our business and that they may have a disproportionate impact on our operating results for the fourth quarter of fiscal 2006. In this case, due to these transitional fluctuations and the results of a phase I study of the estimated value of our deferred research tax credits accumulated over time, our effective tax rate in March 2006 was 77.2% rather than the 7.4% rate that we experienced in the third quarter and that was the basis for our fourth quarter earnings per share ("EPS") guidance.

Accordingly, and as set forth in more detail in the reconciliation table below, we have provided a non-GAAP fully diluted EPS that adjusts for the difference between the two rates. Although we do not anticipate that the 7.4% will continue to be indicative of our tax rate in the future, we believe our non-GAAP presentation provides important and useful information to investors, as it enables them to reconcile our results based upon our actual tax rate to those forecasted based upon tax rate assumptions per our prior guidance. In the absence of such information, we believe that investors may find it difficult to evaluate our fiscal fourth quarter results apart from the tax impact or compare them to our results in prior periods. We have used this non-GAAP measure internally in order to evaluate the operating results of our business on a consistent basis and to measure our performance of business goals that we establish in advance. The economic substance behind our decision to use this non-GAAP measure is an increase of \$0.23 per fully diluted share over the comparable GAAP measure. Material limitations associated with the use of this measure versus the comparable GAAP EPS measure are (a) the non-GAAP measure provides a view of our earnings that does not include all of our tax obligations for the period in question, and (b) this may not enhance the comparability of our results to those of other companies undergoing similar tax rate transitions. We compensate for these limitations, by providing full disclosure of the effects of this non-GAAP measure, by presenting the corresponding treatment prepared in conformity with GAAP in this release and in our financial statements and by providing a reconciliation to the corresponding GAAP measure so that investors can use the information to perform their own analysis.

Sonic will conduct a conference call at 1:30 p.m. PDT, or 4:30 p.m. EDT, today to discuss its financial results for the fourth quarter of fiscal 2006. Investors are invited to listen to Sonic's quarterly conference call on the investor section of the Company's website at www.sonic.com. A replay of the web cast will be available approximately two hours after the conclusion of the call. An audio replay of the conference call will also be made available approximately two hours after the conclusion of the call. The audio replay will remain available until May 30, 2006,

at 9 p.m. PDT and can be accessed by dialing 719-457-0820 or 888-203-1112 and entering confirmation code 2948445.

Sonic Solutions
Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	<u>2006</u> (unaudited)	<u>2005</u> (unaudited)	<u>2006</u> (unaudited)	<u>2005</u> ¹
Net revenue	\$40,436	\$35,604	\$148,676	\$90,627
Cost of revenue	<u>7,764</u>	<u>7,795</u>	<u>34,118</u>	<u>14,775</u>
Gross profit	<u>32,672</u>	<u>27,809</u>	<u>114,558</u>	<u>75,852</u>
Operating expenses				
Marketing and sales	7,977	8,966	31,605	21,117
Research and development	9,734	10,041	40,560	30,216
General and administrative	5,659	5,588	18,080	9,845
Business integration	---	1,100	336	2,190
Acquired in-process technology	---	---	---	3,100
Total operating expenses	<u>23,370</u>	<u>25,695</u>	<u>90,581</u>	<u>66,468</u>
Operating income	<u>9,302</u>	<u>2,114</u>	<u>23,977</u>	<u>9,384</u>
Other income (expense), net	<u>(122)</u>	<u>(387)</u>	<u>(914)</u>	<u>209</u>
Income before income taxes	9,180	1,727	23,063	9,593
Provision for income taxes	<u>7,086</u>	<u>328</u>	<u>3,762</u>	<u>1,051</u>
Net income	<u>\$2,094</u>	<u>\$ 1,399</u>	<u>\$19,301</u>	<u>\$ 8,542</u>
Net income per share				
Basic	<u>\$ 0.08</u>	<u>\$ 0.06</u>	<u>\$ 0.78</u>	<u>\$ 0.37</u>
Diluted	<u>\$ 0.08</u>	<u>\$ 0.05</u>	<u>\$ 0.70</u>	<u>\$ 0.32</u>
Shares used in computing net income per share				
Basic	<u>25,259</u>	<u>24,292</u>	<u>24,750</u>	<u>23,347</u>
Diluted	<u>27,043</u>	<u>26,963</u>	<u>27,421</u>	<u>26,529</u>

¹ March 31, 2005 balances are derived from the audited financial statements included in the Company's 2005 Annual Report on Form 10-K.

Sonic Solutions
Condensed Consolidated Balance Sheets
(in thousands, except share amounts)

<u>ASSETS</u>	<u>March 31,</u> <u>2006</u> (unaudited)	<u>March 31,</u> <u>2005²</u>
Current assets:		
Cash and cash equivalents	\$ 18,731	\$ 35,436
Short term investments	42,350	---
Accounts receivable, net of allowance for returns and doubtful accounts of \$10,068 and \$6,296 at March 31, 2005 and 2006, respectively	22,080	12,839
Inventory	689	755
Unbilled receivables	---	121
Prepaid expenses and other current assets	<u>7,650</u>	<u>2,153</u>
Total current assets	91,500	51,304
Fixed assets, net	4,833	6,756
Purchased and internally developed software costs, net	1,266	1,595
Goodwill	55,153	54,664
Acquired intangibles, net	43,914	49,046
Other assets	<u>11,744</u>	<u>2,583</u>
Total assets	<u>\$208,410</u>	<u>\$165,948</u>
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 7,727	\$ 9,087
Accrued liabilities	23,945	19,164
Deferred revenue	7,795	5,176
Obligations under capital leases, current portion	<u>35</u>	<u>84</u>
Total current liabilities	39,502	33,511
Bank note payable	30,000	30,000
Other long term liabilities, net of current portion	373	2,217
Deferred revenue, net of current portion	2	756
Obligations under capital leases, net of current portion	<u>2</u>	<u>41</u>
Total liabilities	<u>69,879</u>	<u>66,525</u>
Shareholders' equity:		
Convertible preferred stock, no par value, 10,000,000 shares authorized; 0 shares issued and outstanding at March 31, 2005, and 2006, respectively	---	---
Common stock, no par value, 100,000,000 shares authorized; 24,308,730 and 25,685,953 shares issued and outstanding at March 31, 2005 and 2006, respectively	126,880	106,410
Accumulated other comprehensive loss	(937)	(274)
Accumulated earnings (deficit)	<u>12,588</u>	<u>(6,713)</u>
Total shareholders' equity	138,531	99,423
Total liabilities and shareholders' equity	<u>\$208,410</u>	<u>\$165,948</u>

² The consolidated balance sheet at March 31, 2005 has been derived from the Company's audited consolidated financial statements on Form 10-K at that date.

Sonic Solutions
Reconciliation of Reported Operating Results to Non-GAAP Operating Results
(in thousands, except per share amounts and percentages, unaudited)

	Three Months Ended March 31,	
	<u>2006</u>	<u>2005</u>
Net income	\$ 2,094	\$ 1,399
Tax adjustment	<u>6,407</u>	---
Non-GAAP net income	<u>\$ 8,501</u>	<u>\$ 1,399</u>
GAAP net income per share applicable to common		
Basic	<u>\$ 0.08</u>	<u>\$ 0.06</u>
Diluted	<u>\$ 0.08</u>	<u>\$ 0.05</u>
Non-GAAP net income per share applicable to common		
Basic	<u>\$ 0.34</u>	<u>\$ 0.06</u>
Diluted	<u>\$ 0.31</u>	<u>\$ 0.05</u>
Shares used in computing per share amounts		
Basic	<u>25,259</u>	<u>24,292</u>
Diluted	<u>27,043</u>	<u>26,963</u>

About Sonic Solutions

Sonic Solutions (NASDAQ: SNIC; <http://www.sonic.com>) is the leader in digital media software, providing a broad range of interoperable, platform independent software tools and applications for creative professionals, business and home users, and technology partners. Sonic's products range from advanced DVD authoring systems and interactive content delivery technologies used to produce the majority of Hollywood DVD film releases, to the award-winning Roxio and Sonic-branded CD and DVD creation, playback and backup solutions that have become the premier choice for consumers, prosumers and business users worldwide.

Sonic products are globally available from major retailers, online at Sonic.com and Roxio.com, and are bundled with personal computers ("PCs"), after-market drives and consumer electronic devices. Sonic's digital media creation engine is the de facto standard and has been licensed by major software and hardware manufacturers, including Adobe, Microsoft, Scientific-Atlanta, Sony, and many others. Sonic Solutions is headquartered in Marin County, California.

Sonic, the Sonic logo, Sonic Solutions, and Roxio are trademarks or registered trademarks of Sonic Solutions in the United States and/or other countries. All other company or product names are trademarks of their respective owners and, in some cases, are used by Sonic under license.

Forward-Looking Statements

This press release and Sonic's fourth quarter and fiscal year ended March 31, 2006, earnings conference call contain forward-looking statements that are based upon current expectations. Such forward-looking statements include revenue and earnings per share guidance for the fiscal year ending March 31, 2007; the gross margin, operating margin, effective tax rate and cost of compliance with the Sarbanes-Oxley Act of 2002, as amended ("SOX"), assumed for the guidance; and views regarding the opportunities and benefits achieved through Sonic's integration of the Roxio Consumer Software Division, as well as by next-generation high definition formats and channels. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause such differences include, but are not limited to, the timely introduction and acceptance of new products, including but not limited to Sonic's high definition series products; the costs associated with new product introductions and the possible adverse effect on gross margin; any fluctuation in demand for Sonic products; the transition of products to new hardware configurations and platforms; unforeseen increases in operating expenses, new product introductions, cost of SOX compliance or business expansion; loss of significant customers or key suppliers; risks related to acquisitions and international operations; costs associated with the defense of litigation or prosecution and intellectual property claims; changes in effective tax rates; and other factors, including those discussed in Sonic's annual and quarterly reports on file with the Securities and Exchange Commission. This press release should be read in conjunction with Sonic's most recent quarterly report on Form 10-Q and Sonic's other reports on file with the Securities and Exchange Commission, which contain a more detailed discussion of Sonic's business including risks and uncertainties that may affect future results. Sonic does not undertake to update any forward-looking statements.

For More Information, Contact:

Sonic Solutions

A. Clay Leighton,
Chief Financial Officer

Phone: 415.893.8000

Fax: 415.893.8008

Email: clay_leighton@sonic.com

StreetSmart Investor Relations

Brooke Deterline

Phone: 415.893.7824

Anne Leschin

Phone: 415.775.1788

Email: investinsonic@sonic.com