

FOR RELEASE:
August 8, 2006

NASDAQ: SNIC

Sonic Solutions Reports Results for First Quarter Ended June 30, 2006

Novato, California (August 8, 2006) – Sonic Solutions® (NASDAQ: SNIC) today announced its financial results for the quarter ended June 30, 2006.

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

	Three Months Ended June 30,		
	<u>2006 (Non-GAAP)</u> (unaudited)	<u>2006 (GAAP)</u> (unaudited)	<u>2005 (GAAP)</u> (unaudited)
Net revenue	\$36,886	\$36,886	\$35,519
Net income	\$ 4,492	\$ 4,090	\$ 5,904
Net income per diluted share	\$ 0.16	\$ 0.15	\$ 0.21

For the quarter ended June 30, 2006, net revenue was \$36.9 million, reflecting an increase of 4% from \$35.5 million for the quarter ended June 30, 2005. Gross profit was \$29.2 million compared to \$25.8 million for the quarter ended June 30, 2005, representing an increase of 13%. Net income was \$4.1 million or \$0.15 per fully diluted share in the quarter ended June 30, 2006. The non-GAAP presentation below is calculated excluding the stock based compensation charge as a result of our adoption of Statement of Financial Accounting Standard 123R ("SFAS 123R") "Share-Based Payments." As a result, non-GAAP net income for the first quarter ended June 30, 2006 was \$4.5 million and non-GAAP net income per diluted share was \$0.16.

Dave Habiger, President and Chief Executive Officer of Sonic, stated, "We are pleased with our first quarter performance and believe Sonic is well-positioned for strong future growth. We have made significant progress in key initiatives, including our partnership with Movielink and the continued success of our Roxio business, as we continued to establish and enhance relationships with our end-users. The industry is crossing the tipping point into HD and download and burn, and Sonic is positioned to benefit significantly from this development."

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. The non-GAAP financial measure is used in addition to and in conjunction with results presented in accordance with GAAP, and is intended to provide additional insight into our operations that, when viewed with our GAAP results and the accompanying reconciliations to corresponding GAAP financial measure, offers a more complete understanding of factors and trends affecting our business. The non-GAAP measure should be considered as a supplement to, and not as a substitute for or superior to, the corresponding measure calculated in accordance with GAAP. The non-GAAP disclosure and the non-GAAP adjustment, including the basis for such adjustment and the impact on our operations, is outlined below:

Stock Compensation Expense Adjustment. As of April 1, 2006, we adopted SFAS 123R. In our non-GAAP presentation, we have excluded the impact of the stock option expense pursuant to SFAS 123R recorded in the income statement in the amount of \$669,000, or \$0.01 per fully diluted share tax affected, for the quarter ended June 30, 2006. SFAS 123R stock compensation was recorded in the income statement as follows: \$36,000 to cost of revenue; \$410,000 to marketing and sales; \$142,000 to research and development; and \$81,000 to general and administrative. Given the significance and non-cash nature of this expense, and for the reasons set forth below, management has excluded such expense from the non-GAAP earnings presentation for the quarter ended June 30, 2006. Further, we believe the exclusion of stock compensation expenses recorded in the first quarter of fiscal 2007 improves the comparability to our results for the first quarter of fiscal 2006. There is no adjustment for the quarter ended June 30, 2005, as the adoption of SFAS 123R occurred during the current fiscal year.

We believe our non-GAAP presentation that excludes stock compensation expense is useful to investors for the reasons described above and because results for the quarter ended June 30, 2005 did not include stock compensation expenses relating to SFAS 123R. Management uses this non-GAAP presentation to understand how the expenses associated with the application of SFAS 123R are reflected on our statements of income. The economic substance behind our decision to use this non-GAAP measure is an increase in net income of \$0.01 per fully diluted share for the quarter ended June 30, 2006. Material limitations associated with the use of this measure versus the comparable GAAP earnings per share measure are (a) the non-GAAP measure provides a view of our earnings that does not include all of our expense obligations for the period in question, and (b) this may not enhance the comparability of our results to those of other companies undergoing similar transition as a result of the adoption of SFAS 123R. 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 quarter ended June 30, 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 <<http://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 9:00 PM PDT, August 10, 2006, and can be accessed by dialing 719.457.0820 or 888.203.1112 and entering confirmation code 6841288.

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

	Three Months Ended June 30,	
	<u>2006</u> (unaudited)	<u>2005</u> (unaudited)
Net revenue	\$36,886	\$35,519
Cost of revenue	<u>7,716</u>	<u>9,765</u>
Gross profit	<u>29,170</u>	<u>25,754</u>
Operating expenses		
Marketing and sales	7,529	8,523
Research and development	10,732	9,874
General and administrative	4,264	4,909
Business integration	---	295
Total operating expenses	<u>22,525</u>	<u>23,601</u>
Operating income	<u>6,645</u>	<u>2,153</u>
Other income (expense), net	<u>158</u>	<u>(113)</u>
Income before income taxes	6,803	2,040
Provision (benefit) for income taxes	<u>2,713</u>	<u>(3,864)</u>
Net income	<u>\$4,090</u>	<u>\$ 5,904</u>
Net income per share		
Basic	<u>\$ 0.16</u>	<u>\$ 0.24</u>
Diluted	<u>\$ 0.15</u>	<u>\$ 0.21</u>
Shares used in computing net income per share		
Basic	<u>25,778</u>	<u>24,350</u>
Diluted	<u>27,413</u>	<u>27,499</u>

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

	<u>June 30, 2006</u> (unaudited)	<u>March 31,</u> <u>2006¹</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 11,719	\$ 18,731
Short term investments	53,375	42,350
Accounts receivable, net of allowance for returns and doubtful accounts of \$5,235 and \$4,329 at March 31, 2006 and June 30, 2006, respectively	23,760	23,141
Inventory	515	689
Deferred tax benefit	3,879	3,879
Prepaid expenses and other current assets	<u>3,767</u>	<u>3,771</u>
Total current assets	97,015	92,561
Fixed assets, net	4,145	4,833
Purchased and internally developed software costs, net	1,053	1,266
Goodwill	54,151	54,151
Acquired intangibles, net	42,745	43,914
Deferred tax benefit, net	11,391	11,391
Other assets	<u>1,089</u>	<u>1,355</u>
Total assets	<u>\$211,589</u>	<u>\$209,471</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 5,185	\$ 7,727
Accrued liabilities	24,518	24,380
Deferred revenue	6,033	7,795
Obligations under capital leases, current portion	<u>24</u>	<u>35</u>
Total current liabilities	35,760	39,937
Bank note payable	30,000	30,000
Other long term liabilities, net of current portion	334	373
Deferred revenue, net of current portion	82	2
Obligations under capital leases, net of current portion	<u>1</u>	<u>2</u>
Total liabilities	66,177	70,314
Shareholders' equity:		
Convertible preferred stock, no par value, 10,000,000 shares authorized; 0 shares issued and outstanding at March 31, 2006, and June 30, 2006, respectively	---	---
Common stock, no par value, 100,000,000 shares authorized; 25,685,953 and 25,870,642 shares issued and outstanding at March 31, 2006 and June 30, 2006, respectively	129,180	126,880
Accumulated other comprehensive loss	(1,072)	(937)
Accumulated earnings	<u>17,304</u>	<u>13,214</u>
Total shareholders' equity	145,412	139,157
Total liabilities and shareholders' equity	<u>\$211,589</u>	<u>\$209,471</u>

¹ March 31, 2006 balances are derived from the audited financial statements included in the Company's 2006 Annual Report on Form 10-K.

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

	Three Months Ended June 30,	
	<u>2006</u> (unaudited)	<u>2005</u> (unaudited)
<u>Reconciliation from GAAP to Non-GAAP Gross Profit</u>		
GAAP gross profit	\$ 29,170	\$ 25,754
Non-GAAP adjustment: SFAS 123R stock compensation expense included in cost of revenue	<u>36</u>	<u>---</u>
Non-GAAP gross profit	<u>\$ 29,206</u>	<u>\$ 25,754</u>
<u>Reconciliation from GAAP to Non-GAAP Net Income</u>		
GAAP net income	\$ 4,090	\$ 5,904
GAAP income before tax	6,803	2,040
Non-GAAP adjustment:		
SFAS 123R stock compensation expense	669	---
Tax impact of non-GAAP adjustment	<u>(267)</u>	<u>---</u>
Non-GAAP net income	<u>\$ 4,492</u>	<u>\$ 5,904</u>
GAAP net income per share applicable to common		
Basic	<u>\$ 0.16</u>	<u>\$ 0.24</u>
Diluted	<u>\$ 0.15</u>	<u>\$ 0.21</u>
Non-GAAP net income per share applicable to common		
Basic	<u>\$ 0.17</u>	<u>\$ 0.24</u>
Diluted	<u>\$ 0.16</u>	<u>\$ 0.21</u>
Shares used in computing per share amounts		
Basic	<u>25,778</u>	<u>24,350</u>
Diluted	<u>27,413</u>	<u>27,499</u>

About Sonic Solutions

Sonic Solutions (Nasdaq:SNIC - News; <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®-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 as well as online at Sonic.com and Roxio.com, and are bundled with 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 U.S. and/or other countries. All other company or product names are trademarks or registered trademarks of their respective owners and, in some cases, are used by Sonic under license.

Forward-Looking Statements

This press release and Sonic's quarter ended June 30, 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 quarter ending September 30, 2006; and views regarding the potential benefits of our partnership with Movielink, opportunities presented by the "download and burn" business model, our ability to strengthen our relationships with end-users, the opportunities and benefits achieved through Sonic's integration of the Roxio Consumer Software Division, and the evolution of, and opportunities for Sonic arising from, 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 Sarbanes Oxley ("SOX") compliance or business expansion; loss of significant customers or key suppliers; risks related to acquisitions and international operations; costs associated with 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 annual report on Form 10-K 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:

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