

NVIDIA CORP

FORM 10-K405/A

(Amended Annual Report (Regulation S-K, item 405))

Filed 5/25/2001 For Period Ending 1/28/2001

Address	2701 SAN TOMAS EXPRESSWAY SANTA CLARA, California 95050
Telephone	408-486-2000
CIK	0001045810
Industry	Semiconductors
Sector	Technology
Fiscal Year	01/25

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

FORM 10-K/A

**[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the fiscal year ended January 28, 2001

OR

**[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Commission file number: 0-23985

NVIDIA CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

94-3177549
(I.R.S. Employer
Identification No.)

3535 Monroe Street
Santa Clara, CA 95051
(408) 615-2500
(Address, including zip code, and telephone number, including area code, of
principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common stock, \$.001 par value per share

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, and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No []

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 30, 2001 was approximately \$2,549,920,749. Shares of common stock held by each current executive officer and director and by each person who is known by the

registrant to own 5% or more of the outstanding common stock have been excluded from this computation in that such persons may be deemed to be affiliates of the Company. Share ownership information of certain persons known by the Company to own greater than 5% of the outstanding common stock for purposes of the preceding calculation is based solely on information on Schedule 13G filed with the Commission and is as of March 30, 2001. This determination of affiliate status is not a conclusive determination for other purposes.

The number of shares of common stock outstanding as of March 30, 2001 was 69,921,327.

EXPLANATORY NOTE

This amendment to the Annual Report on Form 10-K is being filed for the purpose of adding information to Part III of this Annual Report. Except for this Part III information, all information contained in this report on Form 10-K was current as of the date of the filing of the original report on April 27, 2001 and we have not undertaken to generally update other sections of the Report.

FORWARD-LOOKING STATEMENTS

This report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 which are subject to the "safe harbor" created by those sections. These forward-looking statements include but are not limited to: statements related to industry trends and future growth in the markets for 3D graphics processors; our product development efforts; the timing of our introduction of new products; industry and consumer acceptance of our products; and future profitability. Discussions containing these forward-looking statements may be found in "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those in the forward- looking statements. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document. The "Certain Business Risks" section, among other things, should be considered in evaluating our prospects and future financial performance.

NVIDIA CORPORATION

TABLE OF CONTENTS

	Page

PART I	
Item 1. Business.....	1
Item 2. Properties.....	8
Item 3. Legal Proceedings.....	8
Item 4. Submission of Matters to a Vote of Security Holders.....	9
PART II	
Item 5. Market for Registrant's Common Stock and Related Stockholder Matters.....	10
Item 6. Selected Financial Data.....	11
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	12
Item 7a. Quantitative and Qualitative Disclosures About Market Risk...	17
Item 8. Financial Statements and Supplementary Data.....	29
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.....	29
PART III	
Item 10. Directors and Executive Officers of the Registrant.....	30
Item 11. Executive Compensation.....	32
Item 12. Security Ownership of Certain Beneficial Owners and Management.....	37
Item 13. Certain Relationships and Related Transactions.....	39
PART IV	
Item 14. Exhibits, Financial Statement Schedule, and Reports on Form 8-K.....	40
Signatures.....	65

ITEM 1. BUSINESS

Overview

We were incorporated in California in 1993 and reincorporated in Delaware in April 1998. We design, develop and market graphics processors and related software for personal computers and digital entertainment platforms. We provide a "top-to-bottom" family of award-winning performance 3D graphics processors and graphics processing units, or GPUs, that set the standard for performance, quality and features for a broad range of desktop PCs, from professional workstations to low-cost PCs, and mobile PCs, from performance laptops to thin-and-light notebooks. Our 3D graphics processors are used for a wide variety of applications, including games, digital image editing, business productivity, the Internet and industrial design. Our graphics processors were the first to incorporate a 128-bit multi-texturing graphics architecture designed to deliver to users of our products a highly immersive, interactive 3D experience with compelling visual quality, realistic imagery and motion, stunning effects and complex object and scene interaction at real-time frame rates. The NVIDIA TNT2, TNT2 M64 and Vanta graphics processors deliver high performance 3D and 2D graphics at affordable prices, making them the graphics hardware of choice for a wide range of applications for both consumer and commercial use. Our graphics processors are designed to be architecturally compatible backward and forward between generations, giving our original equipment manufacturer, or OEM, customers and end users a low cost of ownership. We are recognized for developing the world's first GPU, the GeForce 256, which incorporates independent hardware transform and lighting processing units along with a complete rendering pipeline into a single-chip architecture. Our GPUs, the GeForce3, the GeForce2 Ultra, the GeForce2 GTS, the GeForce2 MX, the GeForce2 Go, the NVIDIA Quadro2 Pro and the Quadro2 MXR process hundreds of billions of operations per second and increase the PC's ability to render high-definition 3D scenes in real-time. Our GPU family provides superior processing and rendering power at competitive prices and is architected to deliver the maximum performance from industry standards such as Microsoft Inc.'s Direct3D application programming interface, or API, and Silicon Graphics Inc.'s OpenGL API on Window's operating systems and Linux platforms.

Our products currently are designed into products offered by virtually every leading branded PC OEM, including Acer Inc., Apple Computer, Inc., Compaq Computer Corporation, Dell Computer Corporation, eMachines Inc., Fujitsu-Siemens Computers, Gateway Inc., Hewlett Packard Company, IBM, Micron Electronics Inc., NEC Corporation, Packard Bell NEC Inc., Silicon Graphics Inc., and Sony Corporation, as well as leading contract equipment manufacturers, or CEMs, including Celestica Hong Kong Ltd., Intel Corporation, Mitac International Corporation, Micro-Star International Co. Ltd., Sanmina Corporation, SCI Systems, Inc. and VisionTek Inc., and leading motherboard and add-in board manufacturers, including Abit Computer Corporation, ASUSTeK Computer Inc., Canopus Corporation, ELSA AG Corporation, Gainward Co. Ltd., Gigabyte Technology Co. Ltd, Guillemot Corporation, and LeadTek Research, Inc. The benefits and performance of the NVIDIA family of 3D graphics processors have received significant industry validation and have enabled us and our customers to win more than 692 industry awards, including over 25 "Editors' Choice" awards from PC Magazine during the last four years, PC Magazine's 2000 Award for Technical Excellence (GeForce2 Family), ZD Net's Best of Fall Comdex 2000 (GeForce2 Go) and in the workstation market, Cadence Magazine's Editors' Choice (Quadro2).

Interactive 3D graphics technology continues to emerge as one of the significant new computing developments since the introduction of the graphical user interface. Interactive 3D graphics is integral to various computing and entertainment platforms such as workstations, consumer and commercial desktop PCs, Internet appliances and home gaming consoles. 3D graphics is a powerful broadband medium that enables the communication and visualization of information, whether it is in professional applications like digital content creation and computer assisted design and computer assisted manufacturing, or CAD/CAM and commercial applications like financial analysis and business-to-business collaboration or simply surfing the Internet or playing games. The visually engaging and interactive nature of 3D graphics responds to consumers' demands for a convincing simulation of reality beyond what is possible with traditional 2D graphics. We expect that the

fundamental interactive capability and distributive nature of 3D graphics will make it the primary broadband medium for a digitally connected world.

We believe that a PC's interactive 3D graphics capability represents one of the primary means users differentiate among various systems. PC users today can easily differentiate the quality of graphics and prefer personal computers that provide a superior visual experience. These factors have dramatically increased demand for 3D graphics processors. Mercury Research estimates that 3D graphics will be standard in every PC unit shipped by the end of 2001. Mercury Research also estimates that 182 million 3D graphics processors were sold worldwide in 2000 and that 356 million will be sold worldwide in 2005.

Continuing advancements in semiconductor process and manufacturing have made available more powerful and affordable microprocessors and 3D graphics processors, both of which are essential to deliver interactive 3D graphics to the PC market. Additionally, the industry has broadly adopted Microsoft's Direct3D API and SGI's OpenGL API, which serve as common and standard languages between software applications and 3D graphics processors, allowing the development of numerous 3D applications and resulting in increased consumer demand.

We believe that a substantial market opportunity exists for providers of performance 3D graphics processors, particularly as performance 3D graphics have become an increasingly important requirement and point of differentiation for PC OEMs. Consumer PC users demand a compelling visual experience and compatibility with existing and next-generation 3D graphics applications at an affordable price. Application developers require high-performance, standards-based 3D architectures with broad market penetration. Since graphics is a key point of differentiation, PC OEMs continually seek to incorporate leading-edge, cost-effective 3D graphics solutions to build award-winning products. We believe that providers of interactive 3D graphics solutions will compete based on their ability to leverage their technology expertise to simultaneously meet the needs of end users, application developers and OEMs.

Our Solution

We designed our GPUs and graphics processors to enable PC OEMs and add-in board manufacturers to build award-winning products by delivering state-of-the-art interactive 3D graphics capability while maintaining affordable prices. We believe that by developing 3D graphics solutions that provide superior performance and address the key requirements of the PC market, we will accelerate the adoption of 3D graphics throughout this market. We combine scalable architectural technology with mass market economies-of-scale to deliver a complete family of products that span workstations to low-cost value PCs.

Our objective is to ultimately be the leading supplier of performance graphics communications processors for a broad range of PCs, laptops, Internet appliances, handhelds and any future computing device with a display. Our current focus is on the PC and laptop markets and we plan to expand into other markets. Our strategy to achieve this objective includes the following key elements:

Build Award-Winning, Architecturally-Compatible 3D Graphics Product Families for the PC and Digital Entertainment Markets. Our strategy is to achieve market share leadership in the PC and digital entertainment markets by providing award-winning performance at every price point. By developing 3D graphics solutions that provide superior performance and address the key requirements of these markets, we believe that we will accelerate the adoption of 3D graphics. As part of our strategy, we have closely aligned our product development with Direct3D and OpenGL, which we believe maximizes third-party software support.

Target Leading OEMs. Our strategy is to enable our leading OEM customers to differentiate their products in a highly competitive marketplace by using our 3D graphics processors. We believe that design wins with these industry leaders provide market validation of our products, increase brand awareness and enhance our ability to penetrate additional leading customer accounts. In addition, we believe that close relationships with OEMs will allow us to better anticipate and address customer needs with our future generations of products. Our products currently are designed into products offered by virtually every leading branded PC OEM, including Acer, Apple,

Compaq, Dell, eMachines, Fujitsu-Siemens, Gateway, HP, IBM, micronpc.com, NEC, Packard Bell NEC, SGI and Sony.

Sustain Technology and Roadmap Leadership in 3D Graphics. We are focused on leveraging our advanced engineering capabilities to accelerate the quality and performance of 3D graphics in PCs. A fundamental aspect of our strategy is to actively recruit the best 3D graphics engineers in the industry, and we believe that we have assembled an exceptionally experienced and talented engineering team. We increased the number of our employees engaged in research and development activities to 458 at January 28, 2001 from 214 at January 30, 2000. Our research and development strategy is to focus on concurrently developing multiple generations of graphics processors using independent design teams. As we have in the past, we intend to leverage this strategy to achieve new levels of graphics features and performance, enabling our customers to achieve award-winning performance in their products.

Increase Market Share. We believe that substantial market share will be important to achieving success in the 3D graphics business. We intend to achieve a leading share of the market by devoting substantial resources to building award-winning families of products for a wide range of applications.

Leverage Our Expertise in Digital Multimedia. We believe the synergy created by the combination of 3D graphics and the Internet will fundamentally change the way people work, learn, communicate and play. We believe that our expertise in 3D graphics and system architecture positions us to help drive this transformation. We are leveraging our expertise in the processing and transmission of high-bandwidth digital media to develop products designed to address the requirements of high-bandwidth concurrent multimedia.

Current Products and Products Under Development

NVIDIA GeForce3 GPU

We began commercial shipment of the NVIDIA GeForce3 GPU in January 2001. The GeForce3 is designed for the ultimate PC enthusiast and is the first member of our third-generation GeForce family. The GeForce3 is our flagship GPU.

The GeForce3 is the first GPU to offer full vertex and pixel shader programmability as well as high-resolution full frame rate anti-aliasing. The GeForce3 gives developers the ability to program a virtually infinite number of special effects and custom looks. Fabricated on a .15 micron process technology, the 57 million transistor GeForce3 delivers 33 million sustained triangles per second. GeForce3 is the first NVIDIA GPU to incorporate a new lightspeed memory architecture, which generates more than 800 billion operations per second and delivers 3.2 billion anti-aliased samples per second fill rate. The GeForce3 is the reference platform of choice for the Microsoft DirectX8 application programming interface and the technology foundation for the Microsoft next generation game console Xbox.

NVIDIA GeForce2 Ultra GPU

We began commercial shipment of the NVIDIA GeForce2 Ultra in August 2000. The GeForce2 Ultra is designed for the PC enthusiast market and is a member of our second-generation GeForce2 family. The GeForce2 Ultra replaced our first-generation GPU, the GeForce 256, as our flagship processor.

The GeForce2 Ultra is the first GPU able to break the one billion pixels per second barrier by providing two to three times the pixel processing power of any competitors' graphics processor currently available. Fabricated on a .18 micron process technology, the 25 million transistor GeForce2 Ultra delivers 31 million sustained triangles per second. GeForce2 Ultra is the world's first graphics product to ship with 230MHz (460MHz effective) double data rate memory, producing 7.36GB per second bandwidth. The GeForce2 Ultra includes the NVIDIA Shading Rasterizer technology that enables per-pixel control of visual and material components, such as color, shadow, light and reflectivity, used to create realistic scenes and objects.

NVIDIA GeForce2 GTS GPU

We began commercial shipment of the NVIDIA GeForce2 GTS in March 2000. The NVIDIA GeForce2 GTS is designed for the PC performance market and is a member of our second-generation GeForce2 family.

The GeForce2 GTS is the first per-pixel shading GPU and was the first to incorporate NSR and a high-definition video processor, which provides a cost-effective, high-quality high definition television playback solution when combined with a digital television receiver. In addition, GeForce2 GTS enables new applications like high-definition timeshifting and digital VCR capabilities. Each of the four new rasterization pipelines processes two textures per pixel, in photorealistic 32-bit color, at full speed. Fabricated on an .18 micron process technology, the GeForce2 GTS second-generation transform and lighting architecture delivers 25 million triangles per second.

NVIDIA GeForce2 MX GPU

We began commercial shipment of the NVIDIA GeForce2 MX in June 2000. The NVIDIA GeForce2 MX is designed for the mid-range PC market and is a member of our second-generation GeForce2 family.

The GeForce2 MX brings the power of a GPU to the mainstream computer market. With its innovative TwinView architecture, GeForce2 MX is the only GPU capable of driving two digital displays independently, while fully supporting analog red, green, blue, known as RGB, a feature of video graphic array or VGA and TV-out. In addition, the GeForce2 MX incorporates digital vibrance control, which makes all images, including 2D, 3D and video, more colorful and vibrant, even on digital flat panels. Utilizing a two-pipe form of the GeForce2 GTS architecture, the GeForce2 MX is a powerful, versatile GPU at mainstream price points. Fabricated on an .18 micron process technology, the GeForce2 MX delivers 20 million triangles per second.

NVIDIA GeForce2 Go Mobile GPU

We began commercial shipment of the NVIDIA GeForce2 Go mobile GPU in January 2001. The GeForce2 Go is the first GPU for the mobile PC market and is the first member of our mobile GPU family.

The GeForce2 Go is based on the same architecture that drives the award-winning GeForce2 family of GPUs for the desktop. With its innovative static and dynamic power management architecture, GeForce2 Go delivers similar performance to that of its desktop counterparts, but at power levels suitable for laptop-based computers. The GeForce2 Go enables new classes of applications never before supported on a mobile system. Notebook users will be able to run content creation, presentation, and the latest high-performance 3D game applications that were previously unavailable on mobile systems. The GeForce2 Go also incorporates Twin View and digital vibrance control. Fabricated on an .18 micron process technology, the GeForce2 Go delivers 17 million triangles per second.

NVIDIA TNT2 Graphics Processor

We began commercial shipment of the NVIDIA TNT2 graphics processor in April 1999. The TNT2 is designed for the mainstream PC market. The TNT2 features our fourth-generation, 128-bit multi-texturing 3D architecture. The TNT2 extends the performance and function of the original RIVA TNT graphics processor for PC OEMs and graphics card manufacturers. Fabricated on a .22 micron process technology, the TNT2 graphics processor delivers the highest performance of its generation through the use of high frequency clock rates for the 3D processor and memory. The TNT2 supports 32 megabytes of frame buffer memory.

NVIDIA TNT2 M64, Vanta and Vanta LT Graphics Processors

Our NVIDIA TNT2 M64, Vanta and Vanta LT graphics processors are designed for the value and low-cost consumer and commercial desktop PC markets. Based on our award-winning TNT2 architecture, these processors

offer low-cost, highly integrated choices for entry-level add-in card and motherboard solutions. The TNT2 M64, Vanta and Vanta LT are manufactured on a .22 micron process technology and offer good quality and performance at an affordable price. The TNT2 M64, Vanta and Vanta LT support up to 32, 16 and 8 megabytes of frame buffer memory, respectively.

Microsoft Xbox

On March 5, 2000, we entered into an agreement with Microsoft in which we agreed to develop and sell graphics chips and to license certain technology to Microsoft and its licensees for use in the Xbox video game console under development by Microsoft. In April 2000, Microsoft paid us \$200.0 million as an advance against graphics chip purchases. Microsoft may terminate the agreement at any time. If termination occurs prior to offset in full of the advance payments, we would be required to return to Microsoft up to \$100.0 million of the prepayment and to convert the remainder into our preferred stock at a 30% premium to the 30-day average trading price of our common stock preceding Microsoft's termination of the agreement. In addition, in the event that an individual or corporation makes an offer to purchase shares equal to or greater than thirty percent (30%) of the outstanding shares of our common stock, Microsoft has first and last rights of refusal to purchase the stock. The graphics chip contemplated by the agreement is highly complex, and the development and release of the Microsoft Xbox video game console and its commercial success are dependent upon a number of parties, such as hardware and software developers, and a number of factors, many of which are outside of our control. On February 14, 2001, we announced that the Xbox GPU and Xbox media communications processor were released to Taiwan Semiconductor Manufacturing Company or TSMC for prototype fabrication.

Sales and Marketing

Our worldwide sales strategy is a key part of our objective to become the leading supplier of performance 3D graphics processors for PCs. Our sales team works closely with PC OEMs, system integrators, motherboard manufacturers, add-in board manufacturers and industry trendsetters to define product features, performance, price and timing of new products. Members of our sales team have a high level of technical expertise and product and industry knowledge to support a competitive and complex design win process. We also employ a highly skilled team of application engineers to assist PC OEMs, system integrators, motherboard manufacturers and add-in board manufacturers in designing, testing and qualifying system designs that incorporate our products. We believe that the depth and quality of our design support are key to improving PC OEMs, system integrators, motherboard manufacturers and add-in board manufacturers time-to-market, maintaining a high level of customer satisfaction among these manufacturers and fostering relationships that encourage customers to use the next generation of our products.

In the 3D graphics market, the sales process involves influencing leading PC OEMs', motherboard manufacturers' and add-in board manufacturers' graphics processor purchasing decisions, achieving key design wins and supporting the product design into high volume production. These design wins in turn influence the retail and system integrator channel that is serviced by add-in board and motherboard manufacturers. Our distribution strategy is to work with a number of leading CEMs, motherboard manufacturers, add-in board manufacturers and distributors that have relationships with a broad range of major PC OEMs and/or strong brand name recognition in the retail channel. Currently, we sell a significant majority of our graphics processors directly to CEMs, motherboard manufacturers and add-in board manufacturers, which then sell boards with our graphics processor to leading OEMs, outlets and to a large number of system integrators.

To encourage software title developers and publishers to develop games optimized for platforms utilizing our products, we seek to establish and maintain strong relationships in the software development community. Engineering and marketing personnel interact with and visit key software developers to promote and discuss our

products, as well as to ascertain product requirements and solve technical problems. Our developer program makes products available to partners prior to volume availability to encourage the development of software titles that are optimized for our products.

Customers

A majority of our sales have been to a limited number of customers and sales are highly concentrated. Sales to Edom Technology Co., Ltd., an Asian stocking representative, accounted for 25% and sales to Celestica accounted for 11% of our total revenue for fiscal 2001.

Backlog

Our sales are primarily made pursuant to standard purchase orders that are cancelable without significant penalties. The quantity of our products actually purchased by the customer as well as shipment schedules are subject to revisions to reflect changes in the customer's requirements and manufacturing availability. The semiconductor industry is characterized by short lead time orders and quick delivery schedules. In light of industry practice and experience, we do not believe that backlog as of any particular date is indicative of future results.

Manufacturing

We have a "fabless" manufacturing strategy whereby we employ world-class suppliers for all phases of the manufacturing process, including fabrication, assembly and testing. This strategy leverages the expertise of industry-leading, ISO-certified suppliers in such areas as fabrication, assembly, quality control and assurance, reliability and testing. In addition, we are able to avoid most of the significant costs and risks associated with owning and operating manufacturing operations. These suppliers are also responsible for procurement of most of the raw materials used in the production of our products. As a result, we can focus resources on product design, additional quality assurance, marketing and customer support.

Our graphics processors are fabricated by TSMC and assembled and tested by Advanced Semiconductor Engineering, ChipPAC Incorporated and Siliconware Precision Industries Company Ltd. We receive semiconductor products from our subcontractors, perform incoming quality assurance and then ship them to CEMs, motherboard and add-in board manufacturer customers from our Santa Clara location in the U.S. and a third-party warehouse in Singapore. Generally, these manufacturers assemble and test the boards based on our design kit and test specifications, then ship the products to the retail, system integrator or OEM markets as add-in board solutions. Our hardware and software development teams work closely with certification agencies, Microsoft Windows Hardware Quality Labs and our OEM customers to ensure that both our boards and software drivers are certified for inclusion in the OEMs' products.

Research and Development

We believe that the continued introduction of new and enhanced products designed to deliver leading 3D graphics performance and features is essential to our future success. Our research and development strategy is to focus on concurrently developing multiple generations of graphics processors using independent design teams. Our research and development efforts are performed within specialized groups consisting of software engineering, hardware engineering, very large scale integration or VLSI, design engineering, process engineering, and architecture and algorithms. These groups act as a pipeline designed to allow the efficient simultaneous development of multiple generations of products.

A critical component of our product development effort is our partnerships with leaders in the CAD industry. We have invested significant resources to develop relationships with industry leaders, including Avant! Corporation, Cadence Design Systems, Inc., IKOS Systems, Inc. and Synopsys, Inc., often assisting these companies in the product definition of their new products. We believe that forming these relationships and

utilizing next-generation development tools to design, simulate and verify our products will help us remain at the forefront of the 3D graphics market and develop products on a rapid basis that utilize leading-edge technology. We believe this approach assists us in meeting the new design schedules of PC manufacturers.

We have substantially increased our engineering and technical resources and have 458 full-time employees engaged in research and development as of January 28, 2001, compared to 214 employees as of January 30, 2000.

Competition

The market for 3D graphics processors for PCs is intensely competitive and characterized by rapid technological change, evolving industry standards and declining average selling prices. We believe that the principal competitive factors in this market are performance, breadth of product offerings, access to customers and distribution channels, backward-forward software support, conformity to industry standard APIs, manufacturing capabilities, price of graphics processors and total system costs of add-in boards or motherboards. We expect competition to increase both from existing competitors and new market entrants with products that may be less costly than our 3D graphics processors or may provide better performance or additional features not provided by our products.

Our primary source of competition is from companies that provide or intend to provide 3D graphics solutions for the PC market. Our competitors include the following:

- . suppliers of graphics add-in boards that utilize their internally developed graphics chips, such as ATI Technologies Inc. and Matrox Electronics Systems Ltd.;
- . suppliers of integrated core logic chipsets that incorporate 2D and 3D graphics functionality as part of their existing solutions, such as Intel, Silicon Integrated Systems and Via Technologies, Inc.;
- . suppliers of mobile graphics processors that incorporate 2D or 3D graphics functionality as part of their existing solutions, such as ATI, Trident Microsystems, Inc. and the joint venture of a division of SONICblue Incorporated (formerly S3 Incorporated) and Via Technologies;
- . companies that have traditionally focused on the professional market and provide high end 3D solutions for PCs and workstations, including 3Dlabs Inc., SGI and SONICblue; and
- . companies that focus on the video game market, such as Imagination Technologies and ST Microelectronics.

If and to the extent we offer products outside of the 3D graphics processor market, we may face competition from some of our existing competitors as well as from companies with which we currently do not compete. We cannot accurately predict if we will compete successfully in any new markets we may enter.

Patents and Proprietary Rights

We rely primarily on a combination of patents, trademarks, trade secrets, employee and third-party nondisclosure agreements and licensing arrangements to protect our intellectual property. As of January 28, 2001, we owned 37 issued United States patents and had 61 United States patent applications pending and our issued patents had expiration dates from April 2015 to December 2019. As of January 28, 2001, our issued patents and pending patent applications related to technology developed by us in connection with the development of our 3D graphics processors and we had no foreign patents. We seek patents that have broad application in the semiconductor industry and that we believe will provide us a competitive advantage. However, our pending patent applications or any future applications may not be approved, and any issued patents may not provide us with competitive advantages, or may be challenged by third parties. We have licensed technology from third parties for incorporation into our graphics processors and expect to continue to enter into similar agreements for future products. These licenses may result in royalty payments to third parties, the cross-licensing of technology

by us or payment of other consideration. If these arrangements are not concluded on commercially reasonable terms, our business could suffer. We attempt to protect our trade secrets and other proprietary information through confidentiality agreements with manufacturers and other partners, proprietary information agreements with employees and consultants and other security measures. We also rely on trademarks and trade secret laws to protect our intellectual property.

Employees

As of January 28, 2001 we had 796 employees, 458 of whom were engaged in research and development and 338 of whom were engaged in sales, marketing, operations and administrative positions. None of our employees are covered by collective bargaining agreements, and we believe our relationship with our employees is good.

Recent Developments

On December 15, 2000, we signed a definitive agreement pursuant to which our subsidiary would acquire certain graphics related assets of 3dfx Interactive, Inc. These graphics related assets included, but were not limited to, patents, pending patent applications, trademarks, brand names and other assets related to the graphics business of 3dfx. On April 18, 2001, our subsidiary completed the purchase contemplated by the definitive agreement. We have paid 3dfx approximately \$70 million in total consideration. Subject to the satisfaction of additional conditions, 3dfx may receive additional consideration in the form of cash and/or shares of our common stock. Also, as a result of the closing, we and 3dfx jointly filed to dismiss with prejudice the patent litigation between us.

ITEM 2. PROPERTIES

We occupy approximately 117,000 square feet for our headquarters in Santa Clara, California, under leases expiring in 2002. Additionally we lease 15,000 square feet in Santa Clara for use as a warehouse, under a lease expiring in November of 2007. We also lease a design center consisting of approximately 6,677 square feet in one building in Durham, North Carolina, under a lease that expires in December 2005. In addition, we lease design, sales and administrative offices in Texas, Washington, Arizona, Massachusetts, France, Singapore, Taiwan, Japan, Germany and the United Kingdom to support our customers. In April 2000, we entered into leases for our new headquarters complex in Santa Clara, California. The new complex will comprise four buildings totaling approximately 500,000 square feet. We expect the first phase of two buildings consisting of approximately 250,000 square feet, to be completed in May 2001; the second phase consisting of one building of approximately 125,000 square feet to be completed in July 2001; and the last phase consisting of one building of approximately 125,000 square feet to be completed in March 2002. The leases expire in 2012 and include two seven-year renewals at our option. We believe that we currently have sufficient facilities to conduct our operations for the next twelve months, although we expect to lease additional facilities throughout the world as our business requires.

ITEM 3. LEGAL PROCEEDINGS

On September 21, 1998, 3dfx Interactive, Inc. filed a patent infringement lawsuit against us in the United States District Court for the Northern District of California alleging infringement of a 3dfx patent. The lawsuit was amended in 1999 to add two additional 3dfx patents. On August 28, 2000, we filed a patent infringement lawsuit against 3dfx in the United States District Court for the Northern District of California alleging infringement by 3dfx of five of our patents. The complaint by 3dfx alleged that our RIVA TNT, RIVA TNT2 and RIVA TNT Ultra products infringed the patents in suit and sought unspecified compensatory and trebled damages and attorney's fees, as well as injunctive relief. Our current generation of products was not identified as infringing any of the patents in suit. The lawsuit filed by us against 3dfx alleged that 3dfx's graphics chips and card products, which were used to accelerate 3D graphics on personal computers, infringed five of our patents

and sought an injunction restraining 3dfx from manufacturing, selling, or importing infringing graphics chips and card products, including its Voodoo3, Voodoo4, Voodoo5 and VSA-100 family of products, as well as monetary damages. Following the closing of the definitive agreement entered into by us, our wholly-owned subsidiary and 3dfx, we and 3dfx jointly filed to dismiss with prejudice the above-described patent litigation between us.

On February 22, 2000, Graphiques Matrox, Inc. and Systemes Electroniques Matrox Ltd. (collectively "Matrox") filed suit against us in the Superior Court, Judicial District of Montreal, Province of Quebec, Canada. The suit alleges that we improperly solicited and recruited Matrox employees and encouraged Matrox employees to breach their Matrox confidentiality and/or non-competition agreements. The suit by Matrox seeks, among other things, certain injunctive relief. We believe that the claims asserted by Matrox are without merit and we intend to vigorously defend this suit. The trial of this matter started on April 4, 2001. On April 24, 2001, the trial ended and the court took the case under submission. The court indicated that it would not likely issue a final decision on the merits for approximately two months.

On May 19, 2000, we filed suit against Matrox in Santa Clara County Superior Court alleging that Matrox's efforts to prevent its current and former employees from pursuing employment opportunities with us constitute interference with our ability to enter into certain contracts and unfair competition. Our suit seeks, among other things, unspecified monetary damages, a declaration that Matrox's confidentiality and/or non-competition agreements are unenforceable under California law and a declaration that its use of those agreements and other tactics constitutes unfair competition. On May 26, 2000, the case was transferred to the San Jose Division of the United States District Court for the Northern District of California. On June 14, 2000, Matrox filed an answer denying our claims and a counterclaim alleging trade secret misappropriation, intentional interference with contractual relations and unfair competition. Matrox's California suit seeks unspecified monetary damages and injunctive relief. We filed an answer to this counterclaim on July 7, 2000, denying all of Matrox's claims. As with the Montreal action, we believe that the claims asserted by Matrox are without merit and we intend to vigorously defend this suit.

In addition, we may be subject to litigation in the future. See "Risk Factors--Litigation by or against us or our customers concerning infringement would likely result in significant expense to us and divert the efforts of our technical and management personnel, whether or not the litigation results in a favorable determination for us." From time to time, we are also subject to claims in the ordinary course of business, none of which in our view would have a material adverse impact on our business or financial position if resolved unfavorably.

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

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Our common stock is traded on the Nasdaq National Market under the symbol NVDA. Public trading of our stock began on January 22, 1999. Prior to that, there was no public market for our stock. As of January 28, 2001, we had approximately 372 stockholders of record, not including those shares held in street or nominee name.

The following table sets forth for the periods indicated the high and low sales price for the common stock as quoted on the Nasdaq National Market:

	High	Low
Year ended January 27, 2002	-----	-----
First Quarter (through April 23, 2001).....	\$89.99	\$40.00
Year ended January 28, 2001		
Fourth Quarter.....	\$80.00	\$27.50
Third Quarter.....	\$86.25	\$52.56
Second Quarter.....	\$88.00	\$37.75
First Quarter.....	\$75.00	\$17.50
Year ended January 30, 2000		
Fourth Quarter.....	\$24.13	\$10.88
Third Quarter.....	\$14.19	\$ 8.38
Second Quarter.....	\$11.56	\$ 8.19
First Quarter.....	\$13.13	\$ 8.00

DIVIDEND POLICY

We have never paid any cash dividends on our common stock and do not expect to pay cash dividends for the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with our financial statements and the notes thereto, and with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." The consolidated statement of operations data for the years ended January 28, 2001, January 30, 2000 and January 31, 1999 and the consolidated balance sheet data as of January 28, 2001 and January 30, 2000 have been derived from and should be read in conjunction with our audited financial statements and the notes included thereto. The consolidated statement of operations data for the month ended January 31, 1998 and the years ended December 31, 1997 and 1996 are derived from audited consolidated financial statements and the notes thereto not included in this filing. The balance sheet data as of the month ended January 31, 1998 and the years ended December 31, 1997 and 1996 are derived from audited consolidated financial statements and the notes thereto not included in this filing.

	Year Ended January 28, 2001	Year Ended January 30, 2000	Year Ended January 31, 1999	Month Ended January 31, 1999	Year Ended December 31 ----- 1997 1996 -----	
(in thousands, except per share data)						
Statement of Operations Data						
Revenue:						
Product.....	\$ 735,264	\$374,505	\$151,413	\$11,420	\$27,280	\$ 3,710
Royalty.....	--	--	6,824	1,911	1,791	202
	-----	-----	-----	-----	-----	-----
Total revenue.....	735,264	374,505	158,237	13,331	29,071	3,912
Cost of revenue.....	460,098	235,575	109,746	10,071	21,244	3,038
	-----	-----	-----	-----	-----	-----
Gross profit.....	275,166	138,930	48,491	3,260	7,827	874
Operating expenses:						
Research and development.....	86,438	47,439	25,073	1,121	7,103	1,218
Sales, general and administrative.....	58,437	37,079	18,902	640	4,183	2,649
	-----	-----	-----	-----	-----	-----
Total operating expenses.....	144,875	84,518	43,975	1,761	11,286	3,867
	-----	-----	-----	-----	-----	-----
Operating income (loss).....	130,291	54,412	4,516	1,499	(3,459)	(2,993)
Interest and other income (expense), net..	16,673	1,754	(29)	(18)	(130)	(84)
	-----	-----	-----	-----	-----	-----
Income (loss) before income tax expense....	146,964	56,166	4,487	1,481	(3,589)	(3,077)
Income tax expense.....	47,027	18,068	357	134	--	--
	-----	-----	-----	-----	-----	-----
Net income (loss)...	\$ 99,937	\$ 38,098	\$ 4,130	\$ 1,347	\$(3,589)	\$(3,077)
	=====	=====	=====	=====	=====	=====
Basic net income (loss) per share.....	\$ 1.53	\$.64	\$.14	\$.05	\$ (.14)	\$ (.14)
	=====	=====	=====	=====	=====	=====
Diluted net income (loss) per share.....	\$ 1.25	\$.53	\$.08	\$.03	\$ (.14)	\$ (.14)
	=====	=====	=====	=====	=====	=====
Shares used in basic per share computation(1)...	65,499	59,744	29,130	28,282	25,354	22,766
Shares used in diluted per share computation(1).....	79,647	72,196	54,786	52,200	25,354	22,766
	January 28, 2001	January 30, 2000	January 31, ----- 1999 1998		December 31, ----- 1997 1996	
	-----	-----	-----		-----	
Balance Sheet Data:						
Cash and cash equivalents.....	\$ 674,275	\$ 61,560	\$ 50,257	\$ 7,984	\$ 6,551	\$ 3,133
Total assets.....	1,016,427	202,250	113,332	30,172	25,039	5,525
Capital lease obligations, less current portion.....	378	962	1,995	1,756	1,891	617
Deferred revenue.....	200,000	--	--	--	--	--
Long-term debt.....	300,000	500	--	--	--	--
Total stockholders' equity.....	405,714	124,563	64,209	8,610	6,897	1,037

(1) Reflects a two-for-one stock split effected in June 2000.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our consolidated financial statements and notes thereto. Effective January 31, 1998, we changed our fiscal year-end financial reporting period to a 52- or 53- week year ending on the last Sunday in January. We elected not to restate the previous reporting periods ending December 31. As a result, the first and fourth quarters of fiscal 1999 (year ended January 31, 1999) are 12- and 14- week periods, respectively, with the remaining quarters being 13-week periods. All four quarters of fiscal 2000 and 2001 (year ended January 28, 2001) are 13-week periods.

Overview

We design, develop and market graphics processors and related software for personal computers and digital entertainment platforms. We provide a "top-to- bottom" family of award-winning performance 3D graphics processors and GPUs, that set the standard for performance, quality and features for a broad range of desktop PCs, from professional workstations to low-cost PCs, and mobile PCs, from performance laptops to thin-and-light notebooks. Our 3D graphics processors are used for a wide variety of applications, including games, digital image editing, business productivity, the Internet and industrial design. Our graphics processors were the first to incorporate a 128-bit multi- texturing graphics architecture designed to deliver to users of our products a highly immersive, interactive 3D experience with compelling visual quality, realistic imagery and motion, stunning effects and complex object and scene interaction at real-time frame rates. The NVIDIA TNT2, TNT2 M64 and Vanta graphics processors deliver high performance 3D and 2D graphics at affordable prices, making them the graphics hardware of choice for a wide range of applications for both consumer and commercial use. Our graphics processors are designed to be architecturally compatible backward and forward between generations, giving our OEM customers and end users a low cost of ownership. We are recognized for developing the world's first GPU, the GeForce 256, which incorporates independent hardware transform and lighting processing units along with a complete rendering pipeline into a single-chip architecture. Our GPUs the GeForce3, the GeForce2 Ultra, the GeForce2 GTS, the GeForce2 MX, the GeForce2 Go, the NVIDIA Quadro2 Pro and the Quadro2 MXR process hundreds of billions of operations per second and increase the PC's ability to render high-definition 3D scenes in real-time. Our GPU family provides superior processing and rendering power at competitive prices and is architected to deliver the maximum performance from industry standards such as Microsoft's Direct3D API and SGI's OpenGL API on Windows operating systems and Linux platforms.

We recognize revenue from product sales to customers when a contract is in place, the price is determined, shipment is made and collectability is reasonably assured. Our policy on sales to distributors is to defer recognition of sales and related cost of sales until the distributors resell the product. Royalty revenue is recognized upon shipment of product by the licensee to its customers. We believe that the software sold with our products is incidental to the product as a whole.

During the fourth quarter of 2001, we adopted Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements, ("SAB 101"). The adoption of SAB 101 did not have a material effect on our consolidated statement of financial position or results of operation.

Beginning in fiscal 2001, we entered into arrangements with vendors for the purchase and resale of non-high speed double data rate and single data rate memory to our customers. We recognize revenue from such arrangements on a net basis in accordance with Emerging Issue Task Force Issue No. 99-19, Recording Revenue as a Principal versus Net as an Agent. We are acting in the capacity of an agent for this product.

Currently, all of our product sales and our arrangements with third-party manufacturers provide for pricing and payment in U.S. dollars. We have not engaged in any foreign currency hedging activities, although we may do so in the future. Since we have no other product line, our business would suffer if for any reason our graphics processors do not achieve widespread acceptance in the PC market.

A majority of our sales have been to a limited number of customers and sales are highly concentrated. We sell graphics processors to add-in board and motherboard manufacturers, primarily ASUSTeK, ELSA and Guillemot, and CEMs; including Celestica, Mitac, Micro-Star, SCI, and VisionTek. These manufacturers incorporate our processors in the boards they sell to PC OEMs, retail outlets and systems integrators. The average selling prices for our products, as well as our customers' products, vary by distribution channel. Our two largest customers accounted for approximately 36% of revenues for fiscal 2001. Sales to Edom accounted for 25% and sales to Celestica accounted for 11% of our total revenue for fiscal 2001. For fiscal 2000, sales to Creative Technology, Ltd. accounted for 17%, sales to Edom and sales to Diamond Multimedia Systems, Inc. each accounted for 15% and sales to ASUSTeK accounted for 10% of our total revenue. Diamond is no longer one of our significant customers following its acquisition by S3 Incorporated in October 1999. The number of potential customers for our products is limited, and we expect sales to be concentrated to a few major customers for the foreseeable future.

As markets for our 3D graphics processors develop and competition increases, we anticipate that product life cycles in the high end will remain short and average selling prices will continue to decline. In particular, average selling prices and gross margins are expected to decline as each product matures. Our add-in board manufacturers and major OEM customers typically introduce new system configurations as often as twice per year for the high end, typically based on spring and fall design cycles. In order to maintain average selling prices and gross margins, our existing and new products must achieve competitive performance levels to be designed into new system configurations and must be produced at low costs, in sufficient volumes and on a timely basis, especially with respect to our new products.

We currently utilize TSMC, our primary manufacturer, to produce semiconductor wafers, and utilize independent contractors to perform assembly, test and packaging. We depend on these suppliers to allocate to us a portion of their manufacturing capacity sufficient to meet our needs, to produce products of acceptable quality and at acceptable manufacturing yields, and to deliver those products to us on a timely basis. These manufacturers may not always be able to meet our near-term or long-term manufacturing requirements. Yields or product performance could suffer due to difficulties associated with adapting our technology and product design to the proprietary process technology and design rules of a new manufacturer. The level of finished goods inventory we maintain may fluctuate and therefore a manufacturing disruption experienced by these manufacturers would impact the production of our products, which could harm our business. In addition, as the complexity of our products and the accompanying manufacturing process increases, there is an increasing risk that we will experience problems with the performance of new products and that there will be yield problems or other delays in the development or introduction of these products.

Substantially all of our sales are made on the basis of purchase orders rather than long-term agreements. As a result, we may commit resources to the production of products without having received advance purchase commitments from customers. Any inability to sell products to which we have devoted significant resources could harm our business. In addition, cancellation or deferral of product orders could result in our holding excess inventory, which could adversely affect our profit margins and restrict our ability to fund operations. We may build memory and component inventories during periods of anticipated growth and in connection with selling workstation boards directly to major OEMs. We could be subject to excess or obsolete inventories and be required to take corresponding write-downs if growth slows or if we incorrectly forecast product demand. A reduction in demand could negatively impact our gross margins and financial results. Product returns or delays or difficulties in collecting accounts receivable could result in significant charges against income, which could harm our business.

On December 15, 2000, we signed a definitive agreement pursuant to which our subsidiary would acquire certain graphics related assets of 3dfx. These graphics related assets include, but are not limited to, patents, pending patent applications, trademarks, brand names and other assets related to the graphics business of 3dfx. On April 18, 2001, our subsidiary completed the purchase contemplated by the definitive agreement. We have paid 3dfx approximately \$70 million in total consideration. Subject to the satisfaction of additional conditions,

3dfx may receive additional consideration in the form of cash and/or shares of our common stock. Also, as a result of the closing, we and 3dfx jointly filed to dismiss with prejudice the patent litigation between us. The transaction will be accounted for as a purchase.

Results of Operations

The following table sets forth, for the periods indicated, certain items in our consolidated statements of income expressed as a percentage of total revenue.

	Year Ended January 28, 2001	Year Ended January 30, 2000	Year Ended January 31, 1999
Revenue:			
Product.....	100.0%	100.0%	95.7%
Royalty.....	--	--	4.3
	-----	-----	-----
Total revenue.....	100.0	100.0	100.0
Cost of revenue.....	62.6	62.9	69.4
	-----	-----	-----
Gross profit.....	37.4	37.1	30.6
Operating expenses:			
Research and development.....	11.8	12.7	15.8
Sales, general and administrative.....	7.9	9.9	12.0
	-----	-----	-----
Total operating expenses.....	19.7	22.6	27.8
	-----	-----	-----
Operating income.....	17.7	14.5	2.8
Interest and other income, net.....	2.3	0.5	--
	-----	-----	-----
Income before income tax expense.....	20.0	15.0	2.8
Income tax expense.....	6.4	4.8	0.2
	-----	-----	-----
Net income.....	13.6%	10.2%	2.6%
	=====	=====	=====

Fiscal Years Ended January 28, 2001, January 30, 2000, and January 31, 1999

Revenue

Product Revenue. Product revenue was \$735.3 million in fiscal 2001, \$374.5 million in fiscal 2000, and \$151.4 million in fiscal 1999. Product revenues increased by 96% from fiscal 2000 to 2001, and 147% from fiscal 1999 to 2000. The growth in both periods was primarily the result of increased sales of our graphics processors and the strong demand for new products at higher unit average selling prices. We began bundling high-speed double data rate memories with the GeForce products sold in the third quarter of fiscal 2000. Revenue derived from the bundling of double data rate memories with the GeForce products totaled \$54.2 million in fiscal 2001 and \$22.1 million in FY 2000. Revenue from sales outside of the United States accounted for 89% and 72% of total revenue for fiscal 2001 and 2000, respectively. Our international revenue increased 142% to \$657.4 million in fiscal 2001 from \$270.9 million a year ago. This increase in revenue from sales outside of the United States is primarily attributable to (i) expanded use of CEMs, add-in board and motherboard manufacturers located outside of the United States, and (ii) increased demand for our products in the Asia Pacific and European regions. Revenue by geographical region is allocated to individual countries based on the location to which the products are initially shipped. The portion of revenue derived from foreign CEMs and add-in board manufacturers that are attributable to end customers in the United States is not separately disclosed. Although we achieved substantial growth in product revenue from fiscal 2000 to 2001 and fiscal 1999 to 2000, we do not expect to sustain this rate of growth in future periods. In addition, we expect that the average selling prices of our products will decline over the lives of the products. The declines in average selling prices of 3D graphics processors generally may also accelerate as the market develops and competition increases.

Gross Profit

Gross profit consists of total revenue net of allowances less cost of revenue. Cost of revenue consists primarily of the costs of semiconductors purchased from contract manufacturers (including assembly, test and packaging), manufacturing support costs (labor and overhead associated with such purchases), inventory provisions and shipping costs. Our gross profit margin can vary in any period depending on the mix of types of graphics processors sold. Our gross profit margin percentage of 37.4% and 37.1% remained relatively consistent in fiscal 2001 and 2000, respectively. Absolute dollar gross profit margin increased in fiscal 2001 as compared to fiscal 2000 due to an increase in unit shipments. We began the bundling of double data rate memories with our GeForce processors in the second half of fiscal 2000. The inclusion of the double data rate high speed memories has reduced the gross margin percentage but has no incremental impact on absolute margin dollars, as they are generally sold at cost. We expect to continue bundling double data rate memories with some of our high-performance products for at least the next twelve months. Gross profit increased 187% from fiscal 1999 to 2000, primarily due to significant increases in unit shipments and the favorable impact of the higher margin NVIDIA TNT2 and GeForce graphics processors, partially offset by declining profit margins in our older product families. Although we achieved substantial growth in gross profit in fiscal 2001, 2000, and 1999, we do not expect to sustain these rates of growth in future periods.

Operating Expenses

Research and Development. Research and development expenses consist of salaries and benefits, cost of development tools and software, costs of prototypes of new products and consultant costs. Research and development expenses increased by 82% from fiscal 2000 to 2001 and 89% from fiscal 1999 to 2000, primarily due to additional personnel and related engineering costs to support our next generation's products, such as depreciation charges incurred on capital expenditures and software license and maintenance fees. We anticipate that we will continue to devote substantial resources to research and development, and we expect these expenses to increase in absolute dollars in the foreseeable future due to increased complexity and the number of products under development. Research and development expenses are likely to fluctuate from time to time to the extent we make periodic incremental investments in research and development and these investments may be independent of our level of revenues.

Sales, General and Administrative. Sales, general and administrative expenses consist primarily of salaries, commissions and bonuses, promotional tradeshow and advertising expenses, travel and entertainment expenses and legal and accounting expenses. Sales, general and administrative expenses increased 58% from fiscal 2000 to 2001 and 96% from fiscal 1999 to 2000, primarily due to costs associated with additional personnel and commissions and bonuses on sales of the NVIDIA TNT2 and GeForce families of graphic processors. We expect sales and marketing expenses to continue to increase in absolute dollars as we continue to expand our operations and our sales. General and administrative expenses are also likely to increase in absolute dollars as we continue to expand our operations. However, we do not expect significant changes in these expenses as a percentage of revenue in future periods.

Interest and Other Income (Expense), Net

Interest expense increased in fiscal 2001 compared to fiscal 2000 and should increase in future periods due to the issuance of \$300.0 million of convertible debt in October 2000. Interest income increased 940% from fiscal 2000 to 2001 due to higher average cash balances as a result of a \$200.0 million advance received from Microsoft in connection with our agreement with Microsoft and the receipt of \$387.4 million from our combined convertible debt and common stock offerings which closed in October of fiscal 2001.

Interest income primarily consists of interest earned on cash and cash equivalents. Interest expense primarily consists of interest incurred as a result of capital lease obligations and interest on our convertible debt. Interest income increased \$1.8 million from fiscal 1999 to 2000 due to higher average cash balances as a result of cash proceeds received from the initial public offering of our common stock in January 1999.

Income Taxes

We had income tax expense of \$47.0 million, \$18.1 million, and \$357,000 in fiscal 2001, 2000 and 1999 respectively. Income taxes as a percentage of pretax income were 32.0%, 32.2% and 7.9% in fiscal 2001, 2000 and 1999, respectively. Income taxes as a percentage of pretax income remained relatively constant for fiscal 2001 and 2000. The lower percentage of income taxes to pretax income for fiscal 1999 relative to fiscal 2000 was due primarily to the recognition of deferred tax assets in fiscal 1999 which previously had a valuation allowance. Foreign income taxed at rates different from United States statutory rates contributed to the lower tax rates in fiscal 2001, 2000 and 1999.

Stock-Based Compensation

With respect to stock options granted to employees, we recorded deferred compensation of \$4.3 million in 1997 and \$361,000 in the one month ended January 31, 1998. These amounts are being amortized over the vesting period of the individual options, generally four years. We amortized approximately \$112,000 in fiscal 2001, \$662,000 in fiscal 2000, and \$2.5 million in fiscal 1999.

Liquidity and Capital Resources

As of January 28, 2001, we had \$674.3 million in cash and cash equivalents, an increase of \$612.7 million from the end of fiscal 2000. We historically have held our cash balances in cash equivalents such as money market funds or as cash. We place the money market funds with high-quality financial institutions and limit the amount of exposure with any one financial institution. We had \$148.2 million of noncancelable manufacturing commitments outstanding at January 28, 2001.

In July 1999, we entered into an amended loan and security agreement with a bank, which included a \$10.0 million revolving loan agreement. The agreement expired on July 29, 2000.

Operating activities generated cash of \$68.0 million and \$15.9 million during fiscal 2001 and 2000, respectively, and used cash of \$1.9 million during fiscal 1999. The increases from fiscal 2000 to fiscal 2001 and from fiscal 1999 to fiscal 2000 were due to a substantial increase in net income, offset by changes in operating assets and liabilities. Income tax benefit derived from the difference between the exercise price and the fair value of acquired stock in association with employees' exercise of stock options totaled \$63.2 million in fiscal 2001 compared to \$10.6 million in fiscal 2000. Our accounts receivable are highly concentrated. At January 28, 2001, the two largest customers accounted for approximately 34% of accounts receivable. During the second quarter of fiscal 2001, we recorded a bad debt provision related to one customer that filed for bankruptcy. Significant bad debt write-offs in the future could harm our business.

To date, our investing activities have consisted primarily of purchases of property and equipment and leasehold improvements for our new facility under construction. We incurred \$36.3 million, \$11.6 million and \$7.9 million in capital expenditures in fiscal 2001, 2000 and 1999, respectively, for purchases of computer and emulation equipment to support increased research and development activities and enterprise resource planning system implementation. We expect capital expenditures to increase as we further expand research and development initiatives and as our employee base grows. The timing and amount of future capital expenditures will depend primarily on our future growth. We expect to spend approximately \$60.0 million to \$70.0 million for capital expenditures in fiscal 2002, primarily for software licenses, emulation equipment, purchase of computer and engineering workstations, future phases of enterprise resource planning system implementation and tenant and leasehold improvements in our new headquarters facility.

The cash flow impact from income tax payments can be unpredictable and significant due to tax strategies employed and tax benefits, or lack there-of, arising from employee stock option exercises.

In April 2000, we entered into leases for our new headquarters complex in Santa Clara, California. Our new complex will be comprised of four buildings, representing approximately 500,000 total square feet. We expect

the first phase of two buildings consisting of approximately 250,000 square feet to be completed in May 2001, the second phase of one building consisting of approximately 125,000 square feet to be completed in July 2001 and the last phase consisting of approximately 125,000 square feet to be completed in March 2002. We have \$24.5 million of restricted cash related to the construction. The leases expire in 2012 and include two seven-year renewals at our option. Future minimum lease payments under these operating leases total approximately \$227.1 million over the terms of the leases.

Financing activities provided cash of \$605.6 million during fiscal 2001 compared to \$7.0 million in fiscal 2000 and \$52.0 million in fiscal 1999. On March 5, 2000, we entered into an agreement with Microsoft in which we agreed to develop and sell graphics chips and to license certain technology to Microsoft and its licensees for use in a product under development by Microsoft. In April 2000, Microsoft advanced us \$200.0 million as an advance against graphics chip purchases. Microsoft may terminate the agreement at any time. If termination occurs prior to offset in full of the advance payments, we would be required to return to Microsoft up to \$100.0 million of the prepayment and to convert the remainder into shares of our preferred stock at a 30% premium to the 30-day average trading price of our common stock preceding Microsoft's termination of the agreement.

In October 2000, we sold 1,400,000 shares of our common stock and \$300.0 million of convertible subordinated notes due October 15, 2007 in a public offering. Proceeds from the offering were approximately \$387.5 million after deducting underwriting discounts, commissions and offering expenses. Issuance costs related to the offering are being amortized to interest expense on a straight-line basis over the term of the notes. Interest on the convertible subordinated notes accrues at the rate of four and three-quarter percent per annum and is payable semiannually in arrears on April 15 and October 15 of each year, commencing April 15, 2001. The convertible subordinated notes are redeemable at our option on and after October 20, 2003. The notes are convertible at the option of the holder at any time prior to the close of business on the maturity date, unless previously redeemed or repurchased, into shares of common stock at a conversion price of \$92.71 per share, subject to adjustment in certain circumstances.

On December 15, 2000, we signed a definitive agreement pursuant to which our subsidiary would acquire certain graphics related assets of 3dfx. This transaction closed on April 18, 2001. We have paid 3dfx a total consideration of approximately \$70 million in cash. Subject to the satisfaction of additional conditions, 3dfx may receive additional consideration in the form of cash and/or shares of our common stock. As a result of the closing, this purchase transaction has impacted our working capital in fiscal year 2002 and may have further impact if the additional conditions are met.

We believe that our existing cash balances and anticipated cash flows from operations, will be sufficient to meet our operating and capital requirements for at least the next 12 months. However, there is no assurance that we will not need to raise additional equity or debt financing within this time frame. Additional financing may not be available on favorable terms or at all and may be dilutive to our then-current stockholders. We also may require additional capital for other purposes not presently contemplated. If we are unable to obtain sufficient capital, we could be required to curtail capital equipment purchases or research and development expenditures, which could harm our business.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive from the investments without significantly increasing risk. To minimize potential loss arising from adverse changes in interest rates, we maintain a portfolio of cash and cash equivalents primarily in highly rated domestic money market funds. In general, money market funds are not subject to market risk because the interest paid on such funds fluctuates with the prevailing interest rate. Our convertible subordinated notes are at a fixed interest rate of 4 3/4% and are not subject to interest rate fluctuations.

Exchange Rate Risk

We consider our exposure to foreign exchange rate fluctuations to be minimal. Currently, sales and arrangements with third-party manufacturers provide for pricing and payment in U.S. dollars, and therefore are not subject to exchange rate fluctuations. To date, we have not engaged in any currency hedging activities, although we may do so in the future. Fluctuations in currency exchange rates could harm our business in the future.

Certain Business Risks

In addition to the risks discussed in "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," our business is subject to the risks set forth below.

Our operating results are unpredictable and may fluctuate.

Many of our revenue components fluctuate and are difficult to predict, and our operating expenses are largely independent of revenue in any particular period. It is therefore difficult for us to accurately forecast revenue and profits or losses. As a result, it is possible that in some quarters our operating results could be below the expectations of securities analysts and investors, which could cause the trading price of our common stock to decline, perhaps substantially. We believe that our quarterly and annual results of operations will be affected by a variety of factors that could adversely affect our revenue, gross profit and results of operations.

Factors that have affected our results of operations in the past, and could affect our results of operations in the future, include the following:

- . demand and market acceptance for our products and/or our customers' products;
- . the successful development and volume production of next-generation products;
- . new product announcements or product introductions by our competitors;
- . our ability to introduce new products in accordance with OEM, design requirements and design cycles;
- . changes in the timing of product orders due to unexpected delays in the introduction of our customers' products;
- . fluctuations in the availability of manufacturing capacity or manufacturing yields;
- . declines in spending by corporations and consumers related to perceptions regarding an economic downturn in the U.S.;
- . competitive pressures resulting in lower than expected average selling prices;
- . rates of return in excess of that forecasted or expected due to quality issues;
- . the rescheduling or cancellation of customer orders;
- . the loss of a key customer or the termination of a strategic relationship;
- . seasonal fluctuations associated with the PC market;
- . substantial disruption in our suppliers' operations, either as a result of a natural disaster, equipment failure or other cause;
- . supply constraints for and changes in the cost of the other components incorporated into our customers' products, including memory devices;
- . our ability to reduce the manufacturing costs of our products;
- . legal and other costs related to defending intellectual property;
- . bad debt write-offs;

- . costs associated with the repair and replacement of defective products;
- . unexpected inventory write-downs; and
- . introductions of enabling technologies to keep pace with faster generations of processors and controllers.

Any one or more of the factors discussed above could prevent us from achieving our expected future revenue or net income.

Because most operating expenses are relatively fixed in the short term, we may be unable to adjust spending sufficiently in a timely manner to compensate for any unexpected sales shortfall. We may be required to reduce prices in response to competition or to pursue new market opportunities. If new competitors, technological advances by existing competitors or other competitive factors require us to invest significantly greater resources than anticipated in research and development or sales and marketing efforts, our business could suffer. Accordingly, we believe that period-to-period comparisons of our results of operations should not be relied upon as an indication of future performance. In addition, the results of any quarterly period are not indicative of results to be expected for a full fiscal year.

Our 3D graphics solution may not continue to be accepted by the PC market.

Our success will depend in part upon continued broad adoption of our 3D graphics processors for high performance 3D graphics in PC applications. The market for 3D graphics processors has been characterized by unpredictable and sometimes rapid shifts in the popularity of products, often caused by the publication of competitive industry benchmark results, changes in dynamic random memory devices pricing and other changes in the total system cost of add-in boards, as well as by severe price competition and by frequent new technology and product introductions. Only a small number of products have achieved broad market acceptance and such market acceptance, if achieved, is difficult to sustain due to intense competition. Since we have no other product line, our business would suffer if for any reason our current or future 3D graphics processors do not continue to achieve widespread acceptance in the PC market. If we are unable to complete the timely development of or successfully and cost-effectively manufacture and deliver products that meet the requirements of the PC market, our business would be harmed.

Our integrated graphics product may not be accepted by the PC market.

We expect that integrated graphics chipset products will become an increasing part of the lower cost segment of the PC graphics market. We are currently developing integrated chipset products. If these products are not competitive in this segment and the integrated chipset segment continues to account for an increasing percentage of the units sold in the PC market, our business may suffer.

We need to develop new products and to manage product transitions in order to succeed.

Our business will depend to a significant extent on our ability to successfully develop new products for the 3D graphics market. Our add-in board manufacturers and major OEM customers typically introduce new system configurations as often as twice per year, typically based on spring and fall design cycles. Accordingly, our existing products must have competitive performance levels or we must timely introduce new products with such performance characteristics in order to be included in new system configurations. This requires that we do the following:

- . anticipate the features and functionality that consumers will demand;
- . incorporate those features and functionality into products that meet the exacting design requirements of PC OEMs and add-in board manufacturers or CEMs;
- . price our products competitively; and

. introduce the products to the market within the limited window for PC OEMs and add-in board manufacturers.

As a result, we believe that significant expenditures for research and development will continue to be required in the future. The success of new product introductions will depend on several factors, including the following:

. proper new product definition;

. timely completion and introduction of new product designs;

. the ability of TSMC, our primary manufacturer, and any additional third- party manufacturers to effectively manufacture our new products in a timely manner;

. the quality of any new products;

. differentiation of new products from those of our competitors;

. market acceptance of our products and our customers' products; and

. availability of adequate quantity and configurations of various types of memory products.

Our strategy is to utilize the most advanced semiconductor process technology appropriate for our products and available from commercial third- party foundries. Use of advanced processes has in the past resulted in initial yield problems. New products that we introduce may not incorporate the features and functionality demanded by PC OEMs, add-in board manufacturers and consumers of 3D graphics. In addition, we may not successfully develop or introduce new products in sufficient volumes within the appropriate time to meet both the PC OEMs' design cycles and market demand. We have in the past experienced delays in the development of some new products. Our failure to successfully develop, introduce or achieve market acceptance for new 3D graphics products would harm our business.

Our failure to identify new product opportunities or develop new products could harm our business.

As markets for our 3D graphics processors develop and competition increases, we anticipate that product life cycles at the high end will remain short and average selling prices will continue to decline. In particular, we expect average selling prices and gross margins for our 3D graphics processors to decline as each product matures and as unit volume increases. As a result, we will need to introduce new products and enhancements to existing products to maintain overall average selling prices and gross margins. In order for our 3D graphics processors to achieve high volumes, leading PC OEMs and add-in board manufacturers must select our 3D graphics processor for design into their products, and then successfully complete the designs of their products and sell them. We may be unable to successfully identify new product opportunities or to develop and bring to market in a timely fashion any new products. In addition, we cannot guarantee that any new products we develop will be selected for design into PC OEMs' and add-in board manufacturers' products, that any new designs will be successfully completed or that any new products will be sold. As the complexity of our products and the manufacturing process for products increases, there is an increasing risk that we will experience problems with the performance of products and that there will be delays in the development, introduction or volume shipment of our products. We may experience difficulties related to the production of current or future products or other factors may delay the introduction or volume sale of new products we developed. In addition, we may be unable to successfully manage the production transition risks with respect to future products. Failure to achieve any of the foregoing with respect to future products or product enhancements could result in rapidly declining average selling prices, reduced margins, and reduced demand for products or loss of market share. In addition, technologies developed by others may render our 3D graphics products non- competitive or obsolete or result in our holding excess inventory, either of which would harm our business.

We rely on third-party vendors to supply us tools for the development of our new products and we may be unable to obtain the tools necessary to develop these products.

In the design and development of new products and product enhancements, we rely on third-party software development tools. While we currently are not dependent on any one vendor for the supply of these tools, some or all of these tools may not be readily available in the future. For example, we have experienced delays in the introduction of products in the past as a result of the inability of then available software development tools to fully simulate the complex features and functionalities of our products. The design requirements necessary to meet consumer demands for more features and greater functionality from 3D graphics products in the future may exceed the capabilities of the software development tools available to us. If the software development tools we use become unavailable or fail to produce designs that meet consumer demands, our business could suffer.

Our industry is characterized by vigorous protection and pursuit of intellectual property rights or positions that could result in substantial costs to us.

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights or positions, which has resulted in protracted and expensive litigation. The 3D graphics market in particular has been characterized recently by the aggressive pursuit of intellectual property positions, and we expect our competitors to continue to pursue aggressive intellectual property positions. In addition, from time to time we receive notices alleging that we have infringed patents or other intellectual property rights owned by third parties. We expect that, as the number of issued hardware and software patents increases, and as competition in our markets intensifies, the volume of intellectual property infringement claims will increase. If infringement claims are made against us, we may seek licenses under the claimant's patents or other intellectual property rights. However, licenses may not be offered at all or on terms acceptable to us. The failure to obtain a license from a third party for technology used by us could cause us to incur substantial liabilities and to suspend the manufacture of products. Furthermore, we may initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. We have agreed to indemnify certain customers for claims of infringement arising out of sale of our products.

Litigation by or against us or our customers concerning infringement would likely result in significant expense to us and divert the efforts of our technical and management personnel, whether or not the litigation results in a favorable determination for us.

We have in the past been subject to patent infringement suits, and we may be subject to patent infringement suits brought by other parties in the future. These patent lawsuits could divert the attention of our technical and management employees and could result in significant expenses to us, whether or not the outcome is favorable. For example, we have been advised by Rambus Inc. that it believes our products infringe certain patents owned by Rambus and Rambus has requested that we agree to certain licensing terms, including royalty payments. We believe that Rambus patents are invalid, not infringed and unenforceable. Although we currently are having discussions with Rambus regarding potential business alternatives to Rambus' proposed licensing terms, we cannot guarantee that we will be able to reach a satisfactory agreement with Rambus. If we are unable to do so, Rambus may sue us or our customers for patent infringement at any time. If we are subject to patent infringement lawsuits, and the outcome of those lawsuits are unfavorable, we may have to pay substantial damages.

We could be subject to future lawsuits that could divert our resources and result in the payment of substantial damages.

We may be unable to adequately protect our intellectual property.

We rely primarily on a combination of patents, trademarks, trade secrets, employee and third-party nondisclosure agreements and licensing arrangements to protect our intellectual property. As of January 28, 2001, we owned 37 issued United States patents, and had 61 United States patent applications pending and our issued patents had expiration dates from April 2015 to June 2019. As of January 28, 2001, our issued patents and

pending patent applications related to technology developed by us in connection with the development of our products, including our 3D graphics processors. Our pending patent applications and any future applications may not be approved. In addition, any issued patents may not provide us with competitive advantages or may be challenged by third parties. The enforcement of patents by others may harm our ability to conduct our business. Others may independently develop substantially equivalent intellectual property or otherwise gain access to our trade secrets or intellectual property. Our failure to effectively protect our intellectual property could harm our business. We have licensed technology from third parties for incorporation in our graphics processors, and expect to continue to enter into license agreements for future products. These licenses may result in royalty payments to third parties, the cross-licensing of technology by us or payment of other consideration. If these arrangements are not concluded on commercially reasonable terms, our business could suffer.

Our failure to achieve one or more design wins would harm our business.

Our future success will depend in large part on achieving design wins, which entails having our existing and future products chosen as the 3D graphics processors for hardware components or subassemblies designed by PC OEMs and add-in board manufacturers. Our add-in board manufacturers and major OEM customers typically introduce new system configurations as often as twice per year, generally based on spring and fall design cycles. Accordingly, our existing products must have competitive performance levels or we must timely introduce new products with such performance characteristics in order to be included in new system configurations. Our failure to achieve one or more design wins would harm our business. The process of being qualified for inclusion in a PC OEM's product can be lengthy and could cause us to miss a cycle in the demand of end users for a particular product feature, which also could harm our business.

Our ability to achieve design wins also depends in part on our ability to identify and ensure compliance with evolving industry standards. Unanticipated changes in industry standards could render our products incompatible with products developed by major hardware manufacturers and software developers, including Intel and Microsoft. This would require us to invest significant time and resources to redesign our products to ensure compliance with relevant standards. If our products are not in compliance with prevailing industry standards for a significant period of time, our ability to achieve design wins could suffer.

We are dependent on the PC market, which may not continue to grow.

In fiscal 2000, we derived all of our revenue from the sale of products for use in PCs. During fiscal 2001, we derived most of our revenue from the sale of products for use in the entire desktop PC market, from professional workstations to low-cost PCs. We expect to continue to derive substantially most of our revenue from the sale or license of products for use in PCs in the next several years. The PC market is characterized by rapidly changing technology, evolving industry standards, frequent new product introductions and significant price competition. These factors result in short product life cycles and regular reductions of average selling prices over the life of a specific product. Although the PC market has grown substantially in recent years, this growth may not continue. A reduction in sales of PCs, or a reduction in the growth rate of PC sales, would likely reduce demand for our products. Moreover, changes in demand could be large and sudden. Since PC manufacturers often build inventories during periods of anticipated growth, they may be left with excess inventories if growth slows or if they have incorrectly forecast product transitions. In these cases, PC manufacturers may abruptly suspend substantially all purchases of additional inventory from suppliers like us until the excess inventory has been absorbed. It is possible that the recent slowing of the economy in the U.S., which has negatively impacted some PC manufacturers and led to some reductions in the demand for PCs, could lead to reductions in inventory purchases by PC manufacturers. Any reduction in the demand for PCs generally, or for a particular product that incorporates our 3D graphic processors, could harm our business.

The acceptance of next generation products in business PC 3D graphics may not continue to develop.

Our success will depend in part upon the demand for performance 3D graphics for business PC applications. The market for performance 3D graphics on business PCs has only recently begun to emerge and is dependent

on the future development of, and substantial end-user and OEM demand for, 3D graphics functionality. As a result, the market for business PC 3D graphics computing may not continue to develop or may not grow at a rate sufficient to support our business. The development of the market for performance 3D graphics on business PCs will in turn depend on the development and availability of a large number of business PC software applications that support or take advantage of performance 3D graphics capabilities. Currently there are only a limited number of software applications like this, most of which are games, and a broader base of software applications may not develop in the near term or at all. Consequently, a broad market for full function performance 3D graphics on business PCs may not develop. Our business prospects will suffer if the market for business PC 3D graphics fails to develop or develops more slowly than expected.

We are dependent on a small number of customers and we are subject to order and shipment uncertainties.

We have only a limited number of customers and our sales are highly concentrated. We primarily sell our products to add-in board and motherboard manufacturers and CEMs, which incorporate graphics products in the boards they sell to PC OEMs. Sales to add-in board manufacturers and CEMs are primarily dependent on achieving design wins with leading PC OEMs. The number of add-in board manufacturers, CEMs and leading PC OEMs is limited. We expect that a small number of add-in board manufacturers and CEMs directly, and a small number of PC OEMs indirectly, will continue to account for a substantial portion of our revenue for the foreseeable future. As a result, our business could be harmed by the loss of business from PC OEMs or add-in board manufacturers and CEMs. In addition, revenue from add-in board manufacturers, motherboard manufacturers, CEMs and PC OEMs that have directly or indirectly accounted for significant revenue in past periods, individually or as a group, may not continue, or may not reach or exceed historical levels in any future period.

Our business may be harmed by instability in Asia due to the concentration of customers who are located or have substantial operations in Asia, including Taiwan. The People's Republic of China and Taiwan have in the past experienced and currently are experiencing strained relations. A worsening of these relations or the development of hostilities between the two could result in disruptions in Taiwan and possibly other areas of Asia, which could harm our business. In addition, it is possible that recent foreign relations matters between the U.S. and The People's Republic of China could further strain relations in Asia. While we believe political instability in Asia has not adversely affected our business, because of our reliance on companies with operations in Asia, continued economic and political instability in Asia might harm it.

We may be unable to manage our growth and, as a result, may be unable to successfully implement our strategy.

Our rapid growth has placed, and is expected to continue to place, a significant strain on our managerial, operational and financial resources. As of January 28, 2001, we had 796 employees as compared to 392 employees as of January 30, 2000. We expect that the number of our employees will increase substantially over the next 12 months. Our future growth, if any, will depend on our ability to continue to implement and improve operational, financial and management information and control systems on a timely basis, as well as our ability to maintain effective cost controls. Further, we will be required to manage multiple relationships with various customers and other third parties. Our systems, procedures or controls may not be adequate to support our operations and our management may be unable to achieve the rapid execution necessary to successfully implement our strategy.

We are dependent on key personnel and the loss of these employees could harm our business.

Our performance will be substantially dependent on the performance of our executive officers and key employees. None of our officers or employees is bound by an employment agreement, and our relationships with these officers and employees are, therefore, at will. We do not have "key person" life insurance policies on any of our employees. The loss of the services of any of our executive officers, technical personnel or other key

employees, particularly Jen-Hsun Huang, our President and Chief Executive Officer, would harm our business. Our success will depend on our ability to identify, hire, train and retain highly qualified technical and managerial personnel. Our failure to attract and retain the necessary technical and managerial personnel would harm our business.

We depend on third-party fabrications to produce our products.

We do not manufacture the semiconductor wafers used for our products and do not own or operate a wafer fabrication facility. Our products require wafers manufactured with state-of-the-art fabrication equipment and techniques. We utilize TSMC to produce our semiconductor wafers and utilize independent contractors to perform assembly, test and packaging. We depend on these suppliers to allocate to us a portion of their manufacturing capacity sufficient to meet our needs, to produce products of acceptable quality and at acceptable manufacturing yields, and to deliver those products to us on a timely basis. These manufacturers may be unable to meet our near-term or long-term manufacturing requirements. We obtain manufacturing services on a purchase order basis and TSMC has no obligation to provide us with any specified minimum quantities of product. TSMC fabricates wafers for other companies, including certain of our competitors, and could choose to prioritize capacity for other users or reduce or eliminate deliveries to us on short notice. Because the lead time needed to establish a strategic relationship with a new manufacturing partner could be several quarters, there is no readily available alternative source of supply for any specific product. We believe that long-term market acceptance for our products will depend on reliable relationships with TSMC and any other manufacturers used by us to ensure adequate product supply to respond to customer demand.

In September 1999, the earthquake in Taiwan contributed to a temporary shortage of graphics processors in the third and fourth quarters of fiscal 2000. Because of our reliance on TSMC, our business may be harmed by political instability in Taiwan, including the worsening of the strained relations between The People's Republic of China and Taiwan, and if relations between the U.S. and The People's Republic of China are strained due to recent foreign relations events. Furthermore, any substantial disruption in our suppliers' operations, either as a result of a natural disaster, political unrest, economic instability, equipment failure or other cause, could harm our business.

We are dependent primarily on TSMC and we expect in the future to continue to be dependent upon third-party manufacturers to do the following:

- . produce wafers of acceptable quality and with acceptable manufacturing yields;
- . deliver those wafers to us and our independent assembly and testing subcontractors on a timely basis; and
- . allocate to us a portion of their manufacturing capacity sufficient to meet our needs.

Our wafer requirements represent a significant portion of the total production capacity of TSMC. Although our products are designed using TSMC's process design rules, TSMC may be unable to achieve or maintain acceptable yields or deliver sufficient quantities of wafers on a timely basis and/or at an acceptable cost. Additionally, TSMC may not continue to devote resources to the production of our products, or to advance the process design technologies on which the manufacturing of our products are based. Any difficulties like these would harm our business.

Failure to achieve expected manufacturing yields would reduce our product supply and harm our business.

Semiconductor manufacturing yields are a function both of product design, which is developed largely by us, and process technology, which typically is proprietary to the manufacturer. Since low yields may result from either design or process technology failures, yield problems may not be effectively determined or resolved until an actual product exists that can be analyzed and tested to identify process sensitivities relating to the design rules that are used. As a result, yield problems may not be identified until well into the production process, and resolution of yield problems would require cooperation by and communication between us and the manufacturer.

The risk of low yields is compounded by the offshore location of most of our manufacturers, increasing the effort and time required to identify, communicate and resolve manufacturing yield problems. Because of our potentially limited access to wafer fabrication capacity from our manufacturers, any decrease in manufacturing yields could result in an increase in our per unit costs and force us to allocate our available product supply among our customers. This could potentially harm customer relationships as well as revenue and gross profit. Our wafer manufacturers may be unable to achieve or maintain acceptable manufacturing yields in the future. Our inability to achieve planned yields from our wafer manufacturers could harm our business. We also face the risk of product recalls or product returns resulting from design or manufacturing defects that are not discovered during the manufacturing and testing process. In the event of a significant number of product returns due to a defect or recall, our business could suffer.

Failure to transition to new manufacturing process technologies could affect our ability to compete effectively.

Our strategy is to utilize the most advanced process technology appropriate for our products and available from commercial third-party foundries. Use of advanced processes may have greater risk of initial yield problems. Manufacturing process technologies are subject to rapid change and require significant expenditures for research and development. We continuously evaluate the benefits of migrating to smaller geometry process technologies in order to improve performance and reduce costs. We have migrated to the .15 micron technology with the GeForce3 family of graphics processors, and we believe that the transition of our products to increasingly smaller geometries will be important to our competitive position. Other companies in the industry have experienced difficulty in migrating to new manufacturing processes and, consequently, have suffered reduced yields, delays in product deliveries and increased expense levels. We may experience similar difficulties and the corresponding negative effects. Moreover, we are dependent on our relationships with our third-party manufacturers to migrate to smaller geometry processes successfully. We may be unable to migrate to new manufacturing process technologies successfully or on a timely basis.

The 3D graphics industry is highly competitive and we may be unable to compete.

The market for 3D graphics processors for PCs in which we compete is intensely competitive and is characterized by rapid technological change, evolving industry standards and declining average selling prices. We believe that the principal competitive factors in this market are performance, breadth of product offerings, access to customers and distribution channels, backward- forward software support, conformity to industry standard APIs, manufacturing capabilities, price of graphics processors and total system costs of add-in boards and motherboards. We expect competition to increase both from existing competitors and new market entrants with products that may be less costly than our 3D graphics processors or may provide better performance or additional features not provided by our products. We may be unable to compete successfully in the emerging PC graphics market.

Our primary source of competition is from companies that provide or intend to provide 3D graphics solutions for the PC market. Our competitors include the following:

- . suppliers of graphics add-in boards that utilize their internally developed graphics chips, such as ATI Technologies Inc. and Matrox Electronics Systems Ltd.;
- . suppliers of integrated core logic chipsets that incorporate 2D and 3D graphics functionality as part of their existing solutions, such as Intel, Silicon Integrated Systems and Via Technologies, Inc.;
- . suppliers of mobile graphics processors that incorporate 2D or 3D graphics functionality as part of their existing solutions, such as ATI, Trident Microsystems, and the joint venture of a division of SONICblue Incorporated (formerly S3 Incorporated) and Via Technologies.;
- . companies that have traditionally focused on the professional market and provide high end 3D solutions for PCs and workstations, including 3Dlabs, SGI and SONICblue; and

. companies that focus on the video game market, such as Imagination Technologies and ST Microelectronics.

If and to the extent we offer products outside of the 3D graphics processor market, we may face competition from some of our existing competitors as well as from companies with which we currently do not compete. We cannot accurately predict if we will compete successfully in any new markets we may enter.

We may compete with Intel in the integrated low-cost chipset market.

In June 2000, Intel began shipping the Intel 815 and 815e, 3D graphics chipset that is targeted at the low-cost PC market. Intel has significantly greater resources than we do, and our products may not compete effectively against future products introduced by Intel. In addition, we may be unable to compete effectively against Intel or Intel may introduce additional products that are competitive with our products in either performance or price or both. We expect Intel to continue to do the following:

- . invest heavily in research and development and new manufacturing facilities;
- . maintain its position as the largest manufacturer of PC microprocessors;
- . increasingly dominate the PC platform; and
- . promote its product offerings through advertising campaigns designed to engender brand loyalty among PC users.

Intel may in the future develop graphics add-in cards or graphics-enabled motherboards that could directly compete with graphics add-in cards or graphics-enabled motherboards that our customers may develop. In addition, due to the widespread industry acceptance of Intel's microprocessor architecture and interface architecture, including its AGP, and Intel's intellectual property position with respect to such architecture, Intel exercises significant influence over the PC industry generally. Any significant modifications by Intel to the AGP, the microprocessor or core logic components or other aspects of the PC microprocessor architecture could result in incompatibility with our technology, which would harm our business. In addition, any delay in the public release of information relating to modifications like this could harm our business.

We are dependent on third parties for assembly and testing of our products.

Our graphics processors are assembled and tested by Siliconware, ChipPAC and ASE. We do not have long-term agreements with any of these subcontractors. As a result of our dependence on third-party subcontractors for assembly and testing of our products, we do not directly control product delivery schedules or product quality. Any product shortages or quality assurance problems could increase the costs of manufacture, assembly or testing of our products and could harm our business. Due to the amount of time typically required to qualify assemblers and testers, we could experience significant delays in the shipment of our products if we are required to find alternative third parties to assemble or test our products or components. Any delays in delivery of our products could harm our business.

We are subject to risks associated with product defects and incompatibilities.

Products as complex as those offered by us may contain defects or failures when introduced or when new versions or enhancements to existing products are released. We have in the past discovered software defects and incompatibilities with customers' hardware in certain of our products and may experience delays or lost revenue to correct any new defects in the future. Errors in new products or releases after commencement of commercial shipments could result in loss of market share or failure to achieve market acceptance. Our products typically go through only one verification cycle prior to beginning volume production and distribution. As a result, our products may contain defects or flaws that are undetected prior to volume production and distribution. If these

defects or flaws exist and are not detected prior to volume production and distribution, we may be required to reimburse customers for costs to repair or replace the affected products in the field. These costs could be significant and could adversely affect our business and operating results. The production and distribution of defective products could harm our business.

We may not be successful in producing the processors in volumes required for the Microsoft Xbox product and, even if we do successfully produce these processors in volume, we may not achieve profit margins consistent with those of our other products.

The Xbox Graphics Processing Unit and Xbox Media Communications Processor are new, complicated processors that have not been produced in volume. Both processors have increased in complexity and features from what was contemplated at the time we entered into the agreement with Microsoft. There can be no assurance that we will be able to produce these processors in the volume and within the required time frames or that we will be able to produce these processors consistent with profit margins achieved on our other products. Finally, there can be no assurance that the Xbox program will be commercially successful. If any of the aforementioned risks occur, our business may suffer and our stock price may decline.

We are subject to risks associated with international operations.

Our reliance on foreign third-party manufacturing, assembly and testing operations subjects us to a number of risks associated with conducting business outside of the United States, including the following:

- . unexpected changes in, or impositions of, legislative or regulatory requirements;
- . delays resulting from difficulty in obtaining export licenses for certain technology, tariffs, quotas and other trade barriers and restrictions;
- . longer payment cycles;
- . imposition of additional taxes and penalties;
- . the burdens of complying with a variety of foreign laws; and
- . other factors beyond our control.

We also are subject to general political risks in connection with our international trade relationships. In addition, the laws of certain foreign countries in which our products are or may be manufactured or sold, including various countries in Asia, may not protect our products or intellectual property rights to the same extent as do the laws of the United States. This makes the possibility of piracy of our technology and products more likely. Currently, all of our arrangements with third-party manufacturers provide for pricing and payment in U.S. dollars, and to date we have not engaged in any currency hedging activities, although we may do so in the future. Fluctuations in currency exchange rates could harm our business in the future.

The semiconductor industry is cyclical in nature.

The semiconductor industry historically has been characterized by the following factors:

- . rapid technological change;
- . cyclical market patterns;
- . significant average selling price erosion;
- . fluctuating inventory levels;
- . alternating periods of overcapacity and capacity constraints; and
- . variations in manufacturing costs and yields and significant expenditures for capital equipment and product development.

In addition, the industry has experienced significant economic downturns at various times, characterized by diminished product demand and accelerated erosion of average selling prices. We may experience substantial period-to- period fluctuations in results of operations due to general semiconductor industry conditions.

Failure in implementation of our enterprise resource planning system could adversely affect our operations.

In December 1999, we began the implementation of an SAP A.G. system as our enterprise resource planning or ERP system to replace our information systems in business, finance, operations and service. The first phase of the implementation was successfully completed in June 2000 and our operations are fully functioning under the new ERP system. Future phases of the implementation are expected to occur throughout fiscal 2002. We are heavily dependent upon the proper functioning of our internal systems to conduct our business. System failure or malfunctioning may result in disruptions of operations and inability to process transactions. Our results of operations and financial position could be adversely affected if we encounter unforeseen problems with respect to system operations or future implementation.

Some provisions in our certificate of incorporation, our bylaws and our agreement with Microsoft could delay or prevent a change in control.

Our certificate of incorporation and bylaws contain provisions that could make it more difficult for a third party to acquire a majority of our outstanding voting stock. These provisions include the following:

- . the ability of the board of directors to create and issue preferred stock without prior shareholder approval;
- . the prohibition of shareholder action by written consent;
- . a classified board of directors; and
- . advance notice requirements for director nominations and shareholder proposals.

On March 5, 2000, we entered into a licensing and development agreement with Microsoft that included a grant to Microsoft of first and last rights of refusal over any offer we receive to purchase 30% or more of the outstanding shares of our common stock. The provision could also delay or prevent a change in control of our company.

Rising energy costs and power system shortages in California may result in increased operating expenses and reduced net income.

California is currently experiencing an energy crisis and has recently experienced significant power shortages. As a result, energy costs in California, including natural gas and electricity, may rise significantly over the next year. Because our principal operating facilities are located in California, our operating expenses may increase significantly if this trend continues. In addition, California has on some occasions implemented, and may in the future continue to implement, rolling blackouts throughout the state, including the county where we have our principal offices. If blackouts interrupt our power supply, we may be temporarily unable to operate and any such interruption could harm our business.

Our stock price may continue to experience large short-term fluctuations.

The price of our common stock has fluctuated greatly. These price fluctuations have been rapid and severe. The price of our common stock may continue to fluctuate greatly in the future due to factors, such as the recent decline in some economic indicators in the U.S., related to the general volatility that currently exists in the market or due to a variety of company specific factors, including quarter to quarter variations in our operating results, shortfalls in revenue or earnings from levels expected by securities analysts and the other factors discussed above in these risk factors. In the past, following periods of volatility in the market price of a company's stock, securities class action litigation has been initiated against the issuing company. This type of litigation could result in substantial cost and a diversion of management's attention and resources, which could have an adverse effect on our revenues and earnings. Any adverse determination in this type of litigation could also subject us to significant liabilities. See "Risk Factors--Our operating results are unpredictable and may fluctuate."

We may not be able to realize the potential financial or strategic benefits of future business acquisitions which could hurt our ability to grow our business and sell our products.

In the future we may acquire or invest in other businesses that offer products, services and technologies that we believe would help expand or enhance our products and services or help expand our distribution channels. If we were to make such an acquisition or investment, the following risks could impair our ability to grow our business and develop new products and, ultimately, could impair our ability to sell our products:

- . difficulty in combining the technology, operations or work force of the acquired business;
- . disruption of our on-going businesses;
- . difficulty in realizing the potential financial or strategic benefits of the transaction;
- . difficulty in maintaining uniform standards, controls, procedures and policies; and
- . possible impairment of relationships with employees and customers as a result of any integration of new businesses and management personnel.

In addition, the consideration for any future acquisition could be paid in cash, shares of our common stock, or a combination of cash and common stock. If the consideration is paid with our common stock, existing stockholders would be further diluted. Any amortization of goodwill or other assets resulting from any acquisition could materially adversely affect our operating results and financial condition.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by this item are submitted as a separate section of this Form 10-K. See Item 14.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Identification of Directors and Executive Officers

The following sets forth certain information regarding our board of directors and executive officers, their ages and their positions, as of April 30, 2001:

Name ----	Age ---	Position -----
Jen-Hsun Huang.....	38	President, Chief Executive Officer and Director
Jeffrey D. Fisher.....	42	Executive Vice President, Worldwide Sales
Christine B. Hoberg.....	45	Chief Financial Officer
Chris A. Malachowsky.....	42	Vice President, Hardware Engineering
Curtis R. Priem.....	41	Chief Technical Officer
Tench Coxe (1).....	42	Director
James C. Gaither.....	63	Director
Harvey C. Jones (1).....	48	Director
William J. Miller (2).....	55	Director
A. Brooke Seawell (2).....	53	Director
Mark A. Stevens (2).....	41	Director

(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

Jen-Hsun Huang co-founded NVIDIA in April 1993 and has served as its President, Chief Executive Officer and a member of the Board of Directors since its inception. From 1985 to 1993, Mr. Huang was employed at LSI Logic Corporation, a computer chip manufacturer, where he held a variety of positions, most recently as Director of Coreware, the business unit responsible for LSI's "system-on-a-chip" strategy. From 1984 to 1985, Mr. Huang was a microprocessor designer for Advanced Micro Devices, a semiconductor company. Mr. Huang holds a B.S.E.E. degree from Oregon State University and an M.S.E.E. degree from Stanford University.

Jeffrey D. Fisher has been Executive Vice President, Worldwide Sales for our company since July 1994. From September 1988 to July 1994, Mr. Fisher held various positions at Weitek Corporation, a semiconductor technology company, where his last position was as Director of Worldwide Sales. Mr. Fisher holds a B.S.E.E. degree from Purdue University and an M.B.A. degree from Santa Clara University.

Christine B. Hoberg has been Chief Financial Officer of our company since December 1998. From June 1992 to December 1998, Ms. Hoberg held various positions at Quantum Corporation, a mass storage company, where her last position was as Vice President, Corporate Controller. Ms. Hoberg holds a B.A. in German Studies from Stanford University and is a certified public accountant.

Chris A. Malachowsky co-founded our company in April 1993 and has been our Vice President, Hardware Engineering since that time. From 1987 until April 1993, Mr. Malachowsky was a Senior Staff Engineer for Sun Microsystems, Inc., a supplier of enterprise network computing products. From 1980 to 1986, Mr. Malachowsky was a manufacturing design engineer at Hewlett-Packard Company. Mr. Malachowsky was a co-inventor of Sun Microsystems' GX graphics architecture and has authored 43 patents, most of which relate to graphics. Mr. Malachowsky holds a B.S.E.E. degree from the University of Florida and an M.S.C.S. degree from Santa Clara University.

Curtis R. Priem co-founded our company in April 1993 and has been our Chief Technical Officer since that time. From 1986 to January 1993, Mr. Priem was Senior Staff Engineer at Sun Microsystems where he architected the GX graphics products, including the world's first single chip GUI accelerator. From 1984 to 1986, Mr. Priem was a hardware engineer at GenRad, Inc., a supplier of diagnostic equipment for electronic products. From 1982 to 1984, Mr. Priem was a staff engineer for Vermont Microsystems, Inc., a personal computer company, where he architected IBM's Professional Graphics Adapter, the PC industry's first graphics processor. Mr. Priem has authored 93 U.S. and international patents, all of which relate to graphics and Input/Output Systems. Mr. Priem holds a B.S.E.E. degree from Rensselaer Polytechnic Institute.

Tench Coxe has served as a director of NVIDIA since June 1993. Mr. Coxe is a managing director of Sutter Hill Ventures, a venture capital investment firm. Prior to joining Sutter Hill Ventures in 1987, Mr. Coxe was Director of Marketing and MIS at Digital Communication Associates. Mr. Coxe also serves on the Board of Directors of Clarus Corporation, a software company, Copper Mountain Networks Inc., a provider of high-speed DSL solutions, E-Loyalty Corp., a customer loyalty software firm, and several privately held companies. Mr. Coxe holds a B.A. degree in Economics from Dartmouth College and an M.B.A. degree from Harvard Business School.

James C. Gaither has served as a director of NVIDIA since December 1998. Mr. Gaither is a managing director of Sutter Hill Ventures, a venture capital investment firm. He is also senior counsel to the law firm of Cooley Godward LLP and was a partner of the firm from 1971 until July 2000. Prior to beginning his law practice with the firm in 1969, Mr. Gaither served as a law clerk to The Honorable Earl Warren, Chief Justice of the United States, Special Assistant to the Assistant Attorney General in the United States Department of Justice and Staff Assistant to the President of the United States, Lyndon Johnson. Mr. Gaither is a former president of the Board of Trustees at Stanford University and is a member of the Board of Directors of The William and Flora Hewlett Foundation, and the James Irvine Foundation. Mr. Gaither currently serves on the Board of Directors of Basic American, Inc., a food processing company, Blue Martini, Inc., a customer interaction company, Levi Strauss & Company, a manufacturer and marketer of brand-name apparel, and Siebel Systems, Inc., an e-business application software provider. Mr. Gaither holds a B.A. in Economics from Princeton University and a J.D. degree from Stanford University.

Harvey C. Jones has served as a director of NVIDIA since November 1993. Mr. Jones is the Chairman of the Board of Tensilica Inc., a privately-held company he co-founded in 1997. Tensilica designs and licenses application-specific microprocessors for use in high volume embedded systems. From December 1987 through February 1998, Mr. Jones held various positions at Synopsys, Inc., a developer of electronic design automation software, where he served as President through December 1992, as Chief Executive Officer until January 1994 and as Executive Chairman of the Board until February 1998. Prior to joining Synopsys, Mr. Jones served as President and Chief Executive Officer of Daisy Systems Corporation, a computer-aided engineering company that he co-founded in 1981. Mr. Jones currently serves on the Board of Directors of Remedy Corporation, an enterprise software company, Simplex Solutions, a deep submicron circuit verification company and Numerical Technology Corporation, an integrated circuit technology and software company. Mr. Jones holds a B.S. degree in Mathematics and Computer Sciences from Georgetown University and an M.S. degree in Management from Massachusetts Institute of Technology.

William J. Miller has served as a director of NVIDIA since November 1994. From April 1996 through October 1999, Mr. Miller was Chief Executive Officer and Chairman of the Board of Avid Technology, Inc., a provider of digital tools for multimedia. Mr. Miller also served as President of Avid Technology from September 1996 through October 1999. From March 1992 to October 1995, Mr. Miller served as Chief Executive Officer of Quantum Corporation, a mass storage company. He was a member of the Board of Directors, and Chairman thereof, from, respectively, May 1992 and September 1993 to August 1995. From 1981 to March 1992, he served in various positions at Control Data Corporation, a supplier of computer hardware, software and services, most recently as Executive Vice President and President, Information Services. Mr. Miller serves on the Board of Directors of Waters Corporation, a scientific instrument manufacturing company and on the Board of Directors of ESPS, Inc., a provider of software for renditioning and publishing complex documents. Mr. Miller holds a B.A. and a J.D. degree from the University of Minnesota.

A. Brooke Seawell has served as a director of NVIDIA since December 1997. Mr. Seawell has been a general partner of Technology Crossover Ventures since February 2000. Mr. Seawell acted as an independent consultant to several technology companies from 1999 to 2000. From 1997 to 1998, Mr. Seawell was Executive Vice President of NetDynamics, Inc., an Internet application server software company. From 1991 to 1997, Mr. Seawell was Senior Vice President and Chief Financial Officer of Synopsys, Inc., an electronic design automation software company. Mr. Seawell also serves on the Board of Directors of Informatica Corporation, a data integration software company and several privately held companies. Mr. Seawell holds a B.A. degree in Economics and an M.B.A. degree in Finance from Stanford University.

Mark A. Stevens has served as a director of NVIDIA since June 1993. Mr. Stevens has been a managing member of Sequoia Capital, a venture capital investment firm, since March 1993. Prior to that time, beginning in July 1989, he was an associate at Sequoia Capital. Prior to joining Sequoia, he held technical sales and marketing positions at Intel. Mr. Stevens currently serves on the Board of Directors of MP3.com, Inc., an online music company, Pixelworks, Inc., a fabless semiconductor company developing image processors, Terayon Communication Systems, Inc., a broadband systems company, and several privately held companies. Mr. Stevens holds a B.S.E.E. degree, a B.A. degree in Economics and an M.S. degree in Computer Engineering from the University of Southern California and an M.B.A. degree from Harvard Business School.

COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock or our other equity securities. Officers, directors and greater than ten percent stockholders are required by SEC regulations to furnish us with copies of all

Section 16(a) forms they file.

To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, during the fiscal year ended January 28, 2001, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with.

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION OF DIRECTORS

Directors do not receive any cash compensation for their services as members of the Board of Directors, although they are reimbursed for certain expenses incurred in connection with attendance at Board and committee meetings. Beginning in February 1998, upon the adoption of the 1998 Non-Employee Directors' Stock Option Plan (the "Directors Plan"), each director who is not an employee, consultant or an affiliate of NVIDIA or our affiliates receives automatic nonstatutory stock option grants. In July 2000, the Board of Directors amended the 1998 Plan to incorporate the automatic grant provisions of the Directors Plan into the 1998 Plan. The terms of the 1998 Plan, as they relate to non-employee directors, as well as the terms of the Directors Plan, are referred to in this discussion as the "Director Plan Provisions."

Under the Director Plan Provisions, non-employee directors who are elected or appointed for the first time are automatically granted 100,000 non-qualified stock options ("Initial Grant"). On the day following each annual meeting, non-employee directors shall be granted an option to purchase 40,000 shares of common stock and each non-employee director who is a member of a Committee shall be granted an option to purchase 10,000 shares of common stock ("Annual Grant"); however, if the person has not been serving on the Board or committee since the prior year annual meeting, then the number of shares granted will be reduced pro rata for each full quarter prior to the date of grant during which such person did not serve as a non-employee director.

Initial Grants vest monthly over a four-year period and become exercisable on the fourth anniversary of the date of grant. Options under the Annual Grant vest monthly over a one-year period and become exercisable on the one-year anniversary of the date of grant if the director has attended at least 75% of the regularly scheduled meetings. If the director fails to attend at least 75% of the regularly scheduled meetings, then options will vest annually over four years following the date of grant at the rate of 10% per year for the first three years and 70% for the fourth year such that the entire option will become exercisable on the four-year anniversary of the date of grant.

The exercise price for options granted under the Director Plan Provisions is at least 100% of the fair market value on the date of grant. No option granted under such provisions may be exercised after the expiration of 10 years from the date it was granted. Options granted under the Director Plan Provisions generally are non-transferable except to family members, a family trust, a family partnership or a family limited liability company. However, an optionee may designate a beneficiary who may exercise the option following the optionee's death. An optionee whose service relationship with NVIDIA or any of our affiliates (whether as a non-employee director of ours or subsequently as an employee, director or consultant of ours or an affiliate of ours) ceases for any reason, may exercise vested options for the term provided in the option agreement (12 months generally, 18 months in the event of death).

If we sell substantially all of our assets, or if we are involved in any merger or any consolidation in which we are not the surviving corporation, or if there is any other change in control, all outstanding awards under the Director Plan Provisions either will be assumed or substituted for by any surviving entity. If the surviving entity does not assume or substitute for the NVIDIA awards, the awards will terminate if they are not exercised prior to any sale of assets, merger or consolidation.

During the last three (3) fiscal years, options to purchase shares of our Common Stock were granted to non-employee directors. In December 1998, Mr. Seawell was granted an option to purchase 64,100 shares of the Company's Common Stock at an exercise price of \$3.50 per share. In December 1998, Mr. Gaither received his Initial Grant of an option to purchase 100,000 shares of the Company's Common Stock at an exercise price of \$3.50 per share. In June 1999, Annual Grants under the Director Plan Provisions were as follows: 50,000 shares to each of Messrs. Coxe, Jones, Seawell and Mr. Stevens; 40,000 shares to Mr. Miller; and 10,000 shares to Mr. Gaither, each at an exercise price of \$8.19 per share. In July 2000, Annual Grants under the Director Plan Provisions were as follows: 50,000 shares to each of Messrs. Coxe, Gaither, Jones, Miller, Seawell and Stevens, each at an exercise price of \$68.00 per share.

As of April 30, 2001, options to purchase 600,000 shares of Common Stock were outstanding and no shares remained available for future grant under the Directors' Plan. Unless terminated sooner, the Directors' Plan will terminate in February 2008. Future grants to non-employee directors will be made under the Director Plan Provisions from shares available under our 1998 Equity Incentive Plan (the "1998 Plan"). Unless sooner terminated, the 1998 Plan will also terminate in February 2008.

We have entered into indemnity agreements with each of our directors and executive officers. The form of indemnity agreement provides, among other things, that we will indemnify our executive officers and directors, under the circumstances and to the extent provided for in the indemnify agreements, for any and all expenses he or she may be required to pay in actions or proceedings because of his or her status as a director or executive officer of NVIDIA, to the fullest extent permitted by the Company's Bylaws and Delaware law.

Compensation of Executive Officers

The following table shows for the fiscal years ended January 28, 2001, January 30, 2000 and January 31, 1999, compensation awarded or paid to, or earned by, our Chief Executive Officer and our other four most highly compensated executive officers receiving compensation in excess of \$100,000 in fiscal year 2001 (the "Named Executive Officers").

Summary Compensation Table

Name and Principal Position	Fiscal Year (1)	Annual Compensation		Long Term Compensation Awards	
		Salary (\$)	Bonus (\$)	Securities Underlying Options (#)	All Other Compensation (\$)(1)
Jen-Hsun Huang.....	2001	\$400,000	\$400,000(2)	800,000	--
President and Chief Executive Officer	2000	300,000	300,000(3)	0	--
	1999	257,692	200,000(4)	800,000	2,697(5)
Jeffrey D. Fisher.....	2001	\$399,558(2)(6)	\$ 42,083	80,000	--
Vice President, Sales	2000	418,280(6)	23,600	42,000	2,357(5)
	1999	198,683(6)	--	200,000	--
Christine B. Hoberg.....	2001	\$200,000	\$102,083(2)	50,000	--
Chief Financial Officer	2000	\$200,000	15,710	0	--
	1999	30,384(7)	--	590,000	--
Chris A. Malachowsky....	2001	\$209,000	\$ 84,583(2)	65,000	--
Vice President, Engineering	2000	191,250	19,700	0	--
	1999	183,461	500,000	2,505(5)	--
Curtis R. Priem.....	2001	\$197,316	\$ 69,583(2)	30,000	--
Chief Technical Officer	2000	180,000	8,700	0	--
	1999	180,000	--	500,000	3,792(5)

(1) Effective January 1, 1998, we changed our fiscal year-end financial reporting period from December 31 to January 31. Effective February 1, 1998, we changed our fiscal year end from January 31 to a 52- or 53-week year ending on the last Sunday in January.

(2) Partially paid in fiscal year 2002.

(3) Paid in fiscal year 2001.

(4) Paid in fiscal year 2000.

(5) Represents market value of commemorative gift of property, including income taxes incurred for such gift, received in recognition of five (5) years of service to NVIDIA.

(6) Includes sales commissions of \$299,558 \$318,280, and \$98,683 in fiscal years 2001, 2000 and 1999, respectively.

(7) Ms. Hoberg joined NVIDIA in December 1998.

Stock Option Grants And Exercises

We grant options to our executive officers under the 1998 Plan. As of April 30, 2001, options to purchase a total of 4,378,414 shares were outstanding under the 1998 Plan and options to purchase 17,138,908 shares remained available for grant thereunder.

The following tables show for the fiscal year ended January 28, 2001, certain information regarding options granted to, exercised by, and held at year-end by, the Named Executive Officers:

Option Grants In Last Fiscal Year

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (4)	
	Number of Securities Underlying Options Granted (#)(1)	% of Total Options Granted to Employees in Fiscal Year(2)	Exercise Price (\$/Sh) (3)	Expiration Date	5% (\$)	10% (\$)
Jen-Hsun Huang.....	800,000	7.42%	\$18.53	01/31/10	\$9,323,489	\$23,627,551
Jeffrey D. Fisher.....	15,000	0.14%	\$32.00	02/27/10	301,870	764,997
	15,000	0.14%	\$58.06	10/18/10	547,720	1,388,043
	50,000	0.46%	\$29.94	01/02/11	941,352	2,385,608
Christine B. Hoberg.....	50,000	0.46%	\$29.94	01/02/11	941,352	2,385,608
Chris A. Malachowsky....	15,000	0.14%	\$58.06	10/18/10	547,720	1,388,042
	50,000	0.46%	\$29.94	01/02/11	941,351	2,385,609
Curtis R. Priem.....	30,000	0.28%	\$29.94	01/02/11	564,811	1,431,365

(1) Initial option grants generally vest at a rate of 25% on the first anniversary of the vesting commencement date and 6.25% each quarter thereafter and have a term of 10 years. Subsequent option grants generally vest 6.25% per quarter from the date of grant.

(2) Based on an aggregate of 10,777,375 shares subject to options granted to persons who were employees in the fiscal year ended January 28, 2001, including the Named Executive Officers.

(3) The exercise price per share of each option was equal to the fair market value of the Common Stock on the date of grant as determined by the Board.

(4) The potential realizable value is calculated based on the term of the option at the time of grant (10 years). It is calculated assuming that the fair market value of NVIDIA's Common Stock on the date of grant appreciates at the indicated annual rate compounded annually for the entire term of the option and that the option is exercised at the exercise price and sold on the last day of its term at the appreciated price. Stock price appreciation of 5% and 10% is assumed pursuant to rules promulgated by the Securities and Exchange Commission and does not represent our prediction of our stock price performance.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

This table sets forth for each Named Executive Officer the number and value of securities underlying unexercised options at January 28, 2001.

Name	Shares Acquired on		Number of Securities Underlying Unexercised Options at January 30, 2000		Value of Unexercised In-the-Money Options at January 30, 2000(1)	
	Exercise (#)	Realized (\$)	Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
Jen-Hsun Huang.....	--	--	670,000	930,000	\$29,808,970	\$33,739,830
Jeffrey D. Fisher.....	52,040	\$3,178,126	42,208	227,752	1,801,624	8,228,271
Christine B. Hoberg.....	110,624	6,903,903	36,876	345,000	1,744,696	15,000,913
Chris A. Malachowsky....	--	--	344,687	220,313	16,209,531	8,411,694
Curtis R. Priem.....	--	--	343,750	186,250	16,209,531	7,994,204

(1) Based on the difference between \$50.81 (the fair market value of NVIDIA's common stock on January 26, 2001, the last trading day of the fiscal year) and the exercise price.

Employment, Severance and Change of Control Agreements

NVIDIA does not have any employment, severance or change of control agreements with any Named Executive Officer.

Compensation Committee Interlocks and Insider Participation

For the fiscal year ended January 28, 2001, the Compensation Committee consisted of Messrs. Cox, Gaither and Jones. No current member of the Compensation Committee is an officer or employee of NVIDIA and no executive officer of NVIDIA serve as a member of a Compensation Committee. Each of NVIDIA'S directors, or their affiliated entities, other than Mr. Seawell, has purchased and hold securities of NVIDIA.

Mr. Gaither has provided legal services to NVIDIA since its inception. See Item 13 "Certain Relationships and Related Transactions".

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding ownership of NVIDIA's Common Stock as of April 30, 2001 by: (i) each director and nominee for director; (ii) each of the executive officers named in the Summary Compensation Table; (iii) all executive officers and directors as a group; and (iv) all those known by us to be beneficial owners of more than five percent of our outstanding Common Stock.

Beneficial Owner	Beneficial Ownership (1)	
	Number of Shares	Percent of Total
Jen-Hsun Huang(2)(3).....	5,556,186	7.9%
Jeffrey D. Fisher(2)(4).....	302,595	*
Christine B. Hoberg(2)(5).....	42,473	*
Chris A. Malachowsky(2)(6).....	4,308,250	6.1%
Curtis R. Priem(2)(7).....	5,861,525	8.3%
Tench Coxe(2)(8).....	576,918	*
James C. Gaither(2)(9).....	101,152	*
Harvey C. Jones(2)(10).....	484,602	*
William J. Miller(2)(11).....	207,500	*
A. Brooke Seawell(2)(12).....	190,000	*
Mark A. Stevens(2)(13).....	213,936	*
FMR Corporation(14).....	10,221,168	14.6%
Edward C. Johnson 3d and Abigail P. Johnson 82 Devonshire Street Boston, MA 02109		
Janus Capital Corporation(15).....	4,744,851	6.8%
100 Fillmore Street Thomas H. Bailey Denver, CO 80206-4923		
All current directors and executive officers as a group (11 persons) (16).....	17,991,737	24.8%

* Represents beneficial ownership of less than 1% of the outstanding shares of NVIDIA's Common Stock.

(1) This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13D and 13G filed with the Securities and Exchange Commission. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, we believe that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 70,104,138 shares of Common Stock outstanding on April 30, 2001. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of Common Stock subject to options held by that person that are exercisable within 60 days are deemed outstanding. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person. (2) The address for each of these persons is c/o NVIDIA Corporation, 2701 San Tomas Expressway, Santa Clara, CA 95050.

(3) Includes 4,264,800 shares of Common Stock held by The Jen-Hsun and Lori Huang Living Trust dated May 1, 1995, of which Mr. Huang is the trustee, and 501,200 shares of Common Stock held by J. and L. Huang Investments, L.P., of which Mr. Huang and his wife are general partners. Also includes 800,000 shares of Common Stock issuable upon exercise of vested options within 60 days of April 30, 2001.

- (4) Includes 39,000 shares of Common Stock held by Jeffrey D. Fisher, as custodian for his three minor children under the Uniform Gifts to Minors Act. Also includes 47,120 shares of Common Stock issuable upon exercise of vested options within 60 days of April 30, 2001.
- (5) Includes 36,876 shares of Common Stock issuable upon exercise of vested options within 60 days of April 30, 2001.
- (6) Includes 3,270,000 shares of Common Stock held by The Chris and Melody Malachowsky Living Trust dated October 20, 1994, of which Mr. Malachowsky is the trustee, and 477,000 shares of Common Stock held by Malachowsky Investments L.P., of which Mr. Malachowsky and his wife are general partners. Also includes 411,250 shares of Common Stock issuable upon exercise of vested options within 60 days of April 30, 2001.
- (7) Includes 54,000 shares of Common Stock held by The Priem Family CRT and 4,309,400 shares held by the Priem Family Foundation. Mr. Priem is the president of the Priem Family Foundation. Mr. Priem disclaims beneficial ownership of the shares of Common Stock held by the Priem Family Foundation. Also includes 408,125 shares of Common Stock issuable upon exercise of vested options within 60 days of April 30, 2001.
- (8) Includes 481,918 shares of Common Stock held in a retirement trust over which Mr. Coxe exercises voting and investment power. Includes 95,000 shares of Common Stock issuable upon exercise of vested options within 60 days of April 30, 2001.
- (9) Includes 34,902 shares of Common Stock held by Cooley Godward LLP, of which Mr. Gaither is a partner. Mr. Gaither disclaims beneficial ownership of such shares held by such entity, except to the extent of his pecuniary interest therein. Also includes 66,250 shares of Common Stock issuable upon exercise of vested options within 60 days of April 30, 2001.
- (10) Includes 95,000 shares of Common Stock issuable upon exercise of vested options within 60 days of April 30, 2001.
- (11) Includes 82,500 shares of Common Stock issuable upon exercise of vested options within 60 days of April 30, 2001.
- (12) Includes 190,000 shares of Common Stock issuable upon exercise of vested options within 60 days April 30, 2001.
- (13) Includes 92,500 shares of Common Stock issuable upon exercise of vested options within 60 days of April 30, 2001.
- (14) According to a Schedule 13G jointly filed on February 14, 2001, FMR Corp., Edward C. Johnson 3d and Abigail P. Johnson beneficially own and have sole dispositive power with respect to 10,221,168 shares of our common stock. The following FMR Corp. subsidiaries have beneficial ownership: Fidelity Management & Research Company, 9,790,198 shares, with Edward C. Johnson 3d, through his control of this entity, having sole dispositive power over such shares; Fidelity Management Trust Company, 346,520 shares, with Edward C. Johnson 3d and FMR Corp. each having sole dispositive power over such shares and sole voting power over 250,420 of such shares; and Fidelity International Limited, Pembroke Hall, 42 Crowlane, Hamilton, Bermuda, 84,450 shares. Edward C. Johnson 3d owns 12.0% and Abigail P. Johnson owns 24.5% of the aggregate outstanding voting stock of FMR Corp. Mr. Johnson is chairman of FMR Corp. and Ms. Johnson is a director of FMR Corp. The Johnson family represents 49% of the voting power of FMR Corp. The Johnson family has voting power over 39.89% of the voting shares of Fidelity International Limited. Mr. Johnson is also the chairman of Fidelity International Limited. Additional disclosure can be found in the 13G filing.
- (15) According to a Schedule 13G filed on February 15, 2001, Janus Capital Corporation and Thomas H. Bailey beneficially own 4,744,851 shares of our common stock. Thomas H. Bailey owns approximately 12.2% of Janus Capital, serves as President and Chairman of the Board of Janus Capital, and may be deemed to have voting and dispositive power with respect to shares held by the managed portfolios of Janus Capital. Additional disclosure can be found in the 13G filing.
- (16) Includes 2,324,621 shares issuable upon exercise of vested options held by all current directors and executive officers within 60 days of April 30, 2001. See footnotes (3)-(13).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

James C. Gaither, one of our directors and a member of our compensation committee, is Senior Counsel to Cooley Godward LLP, which has provided legal services to us since our inception.

We have entered into indemnity agreements with each of our directors and executive officers. The form of indemnity agreement provides, among other things, that NVIDIA will indemnify such executive officer and director, under the circumstances and to the extent provided for therein, for any and all expenses he or she may be required to pay in actions or proceedings because of his or her status as a director or executive officer of NVIDIA, to the fullest extent permitted by the Company's Bylaws and Delaware law.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

	Page

(a)1.Consolidated Financial Statements	
Report of KPMG LLP, Independent Auditors.....	43
Consolidated Balance Sheets as of January 28, 2001 and January 30, 2000.....	44
Consolidated Statements of Income for the years ended January 28, 2001, January 30, 2000, and January 31, 1999.....	45
Consolidated Statements of Stockholders' Equity for the years ended January 28, 2001, January 30, 2000 and January 31, 1999.....	46
Consolidated Statements of Cash Flows for the years ended January 28, 2001, January 30, 2000, and January 31, 1999.....	47
Notes to Consolidated Financial Statements.....	48
(a)2.Financial Statement Schedules	
II--Valuation and Qualifying Accounts.....	64
All other schedules are omitted because they are not required, or are not applicable, or the required information is shown in the financial statements or notes thereto.	
(a)3.Exhibits	
The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as a part of this annual report.	
(a)4.Reports on Form 8-K	
There were no reports filed on Form 8-K during the fourth quarter ended January 28, 2001.	

EXHIBIT INDEX

Exhibit Number -----	Description of Document -----
2.1	Asset Purchase Agreement, dated as of December 15, 2000, by and among NVIDIA Corporation, NVIDIA US Investment Company and 3dfx Interactive, Inc.*
3.1	Amended and Restated Certificate of Incorporation. (1)
3.2	Bylaws. (1)
4.1	Reference is made to Exhibits 3.1 and 3.2.
4.2	Specimen Stock Certificate. (2)
4.3	Second Amended and Restated Investors' Rights Agreement, dated August 19, 1997 between the Company and the parties indicated thereto and First Amendment to Second Amended and Restated Investors' Rights Agreement, dated July 22, 1998. (2)
4.4	Second Amendment to Second Amended and Restated Investors' Rights Agreement, dated April 12, 1999. (3)
4.5	Indenture dated October 12, 2000 between NVIDIA Corporation and Chase Manhattan Bank and Trust Company, National Association, as Trustee*
4.6	Supplemental Indenture No. 1, dated as of October 12, 2000 between NVIDIA Corporation and Chase Manhattan Bank and Trust Company, National Association as Trustee*
10.1	Form of Indemnity Agreement between NVIDIA Corporation and each of its directors and officers. (2)
10.2	1998 Equity Incentive Plan. (2)
10.3	Form of Incentive Stock Option Agreement under the 1998 Equity Incentive Plan. (2)
10.4	Form of Nonstatutory Stock Option Agreement under the 1998 Equity Incentive Plan. (2)
10.5	1998 Employee Stock Purchase Plan. (2)
10.6	Form of Employee Stock Purchase Plan Offering. (2)
10.7	1998 Non-Employee Directors' Stock Option Plan. (2)
10.8	Form of Nonstatutory Stock Option Agreement under the 1998 Non-Employee Directors' Stock Option Plan (Initial Grant). (2)
10.9	Form of Nonstatutory Stock Option Agreement under the 1998 Non-Employee Directors' Stock Option Plan (Annual Grant). (2)
10.10	Form of Nonstatutory Stock Option Agreement under the 1998 Non-Employee Directors' Stock Option Plan (Committee Grant). (2)
10.11	Sublease dated April 2, 1998 between Apple Computer, Inc. and NVIDIA Corporation. (2)
10.12	Loan and Security Agreement, dated September 3, 1998, between NVIDIA Corporation and Imperial Bank, as amended by letter agreement dated November 2, 1998. (2)
10.13	Stock Purchase Agreement dated April 12, 1999 between NVIDIA Corporation and Synopsys, Inc. (3)
10.14	Stock Repurchase Agreement dated June 9, 1999 between NVIDIA Corporation and Diamond Multimedia Systems, Inc. (3)
10.15	Amendment to Loan and Security Agreement, dated July 30, 1999, between NVIDIA Corporation and Imperial Bank (4)

Exhibit Number -----	Description of Document -----
20.1	List of Registrant's Subsidiaries*
23.1	Consent of KPMG LLP, Independent Auditors

(1) Filed as an exhibit to our Registration Statement on Form S-8 filed on March 23, 1999 (Registration No. 333-74905) and incorporated herein by reference.

(2) Filed as an exhibit to our Registration Statement on Form S-1 filed on March 6, 1998 (Registration No. 333-47495) and incorporated herein by reference.

(3) Filed as an exhibit to our Form 10-Q for the quarter ended May 2, 1999 as filed on June 15, 1999 and incorporated herein by reference.

(4) Filed as an exhibit to our Form 10-Q for the quarter ended August 1, 1999 as filed on September 10, 1999 and incorporated herein by reference.

* Previously filed in 10-K.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
NVIDIA Corporation:

We have audited the consolidated financial statements of NVIDIA Corporation and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NVIDIA Corporation and subsidiaries as of January 30, 2000 and January 28, 2001 and the results of their operations and cash flows for each of the years in the three-year period ended January 28, 2001, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

*Mountain View, California
February 14, 2001 except as to Note 12
which is as of April 18, 2001*

NVIDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	January 28, 2001	January 30, 2000
ASSETS	-----	-----
Current assets:		
Cash and cash equivalents.....	\$ 674,275	\$ 61,560
Restricted cash.....	24,500	--
Accounts receivable, less allowances of \$8,403 and \$6,443 in 2001 and 2000, respectively.....	104,988	67,224
Inventory.....	89,905	37,631
Prepaid expenses and other current assets.....	36,741	6,760
	-----	-----
Total current assets.....	930,409	173,175
Property and equipment, net.....	47,280	25,886
Deposits and other assets.....	38,738	3,189
	-----	-----
	\$1,016,427	\$202,250
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 76,535	\$ 64,910
Accrued liabilities.....	33,212	9,529
Current portion of capital lease obligations.....	588	1,786
	-----	-----
Total current liabilities.....	110,335	76,225
Capital lease obligations, less current portion.....	378	962
Deferred revenue.....	200,000	--
Long-term debt.....	300,000	500
Stockholders' equity:		
Preferred stock, \$.001 par value; 10,000,000 shares authorized; none issued or outstanding.....	--	--
Common stock, \$.001 par value; 200,000,000 shares authorized; 68,457,617 and 62,200,314 shares issued and outstanding in 2001 and 2000, respectively.....	68	62
Additional paid-in capital.....	277,029	95,933
Deferred compensation.....	(6)	(118)
Retained earnings.....	128,623	28,686
	-----	-----
Total stockholders' equity.....	405,714	124,563
	-----	-----
	\$1,016,427	\$202,250
	=====	=====

See accompanying notes to consolidated financial statements.

NVIDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

	Year Ended January 28, 2001	Year Ended January 30, 2000	Year Ended January 31, 1999
Revenues:			
Product.....	\$735,264	\$374,505	\$151,413
Royalty.....	--	--	6,824
Total revenues.....	735,264	374,505	158,237
Cost of revenues.....	460,098	235,575	109,746
Gross profit.....	275,166	138,930	48,491
Operating expenses:			
Research and development.....	86,438	47,439	25,073
Sales, general and administrative.....	58,437	37,079	18,902
Total operating expenses.....	144,875	84,518	43,975
Operating income.....	130,291	54,412	4,516
Interest income.....	21,531	2,071	263
Interest expense.....	(4,852)	(332)	(292)
Other, net.....	(6)	15	--
Income before tax expense.....	146,964	56,166	4,487
Income tax expense.....	47,027	18,068	357
Net income.....	\$ 99,937	\$ 38,098	\$ 4,130
Basic net income per share.....	\$ 1.53	\$.64	\$.14
Diluted net income per share.....	\$ 1.25	\$.53	\$.08
Shares used in basic per share computation.....	65,499	59,744	29,130
Shares used in diluted per share computation.....	79,647	72,196	54,786

See accompanying notes to consolidated financial statements.

NVIDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except share data)

	Preferred Stock		Common Stock		Additional	Deferred	Retained	Total
	Shares	Amount	Shares	Amount	Paid-in Capital	Compensation	Earnings (Accumulated Deficit)	Stockholders' Equity
Balances, January 31, 1998.....	18,654,174	\$ 19	28,283,420	\$28	\$ 25,422	\$(3,317)	\$(13,542)	\$ 8,610
Issuance of common stock upon exercise of stock options.....	--	--	405,550	--	348	--	--	348
Tax benefit from stock options.....	--	--	--	--	45	--	--	45
Sale of common stock under public offering, net of issuance costs of \$4.5 million.....	--	--	7,000,000	7	37,532	--	--	37,539
Issuance and conversion of mandatorily convertible notes into common stock.....	--	--	3,142,858	3	10,997	--	--	11,000
Conversion of preferred stock into common stock.....	(18,654,174)	(19)	18,654,174	19	--	--	--	--
Amortization of deferred compensation.....	--	--	--	--	--	2,537	--	2,537
Net income.....	--	--	--	--	--	--	4,130	4,130
Balances, January 31, 1999.....	--	--	57,486,002	57	74,344	(780)	(9,412)	64,209
Sale of common stock under public offering (over-allotment), net of issuance costs of \$0.6 million.....	--	--	1,050,000	1	5,740	--	--	5,741
Issuance of common stock in connection with long-term software license.....	--	--	487,804	--	5,000	--	--	5,000
Repurchase of common stock in settlement of accounts receivable....	--	--	(857,144)	--	(7,452)	--	--	(7,452)
Issuance of common stock from stock plans.....	--	--	4,033,652	4	7,673	--	--	7,677
Tax benefit from stock plans.....	--	--	--	--	10,613	--	--	10,613
Grant of common stock options for consulting services.....	--	--	--	--	15	--	--	15
Amortization of deferred compensation.....	--	--	--	--	--	662	--	662
Net income.....	--	--	--	--	--	--	38,098	38,098
Balances, January 30, 2000.....	--	--	62,200,314	62	95,933	(118)	28,686	124,563
Issuance of common stock from stock plans.....	--	--	4,832,303	5	19,905	--	--	19,910
Sale of common stock under public offering, net of issuance costs of \$9.6 million.....	--	--	1,400,000	1	96,668	--	--	96,669
Tax benefit from stock plans.....	--	--	--	--	63,199	--	--	63,199
Stock granted in exchange for intangibles and services.....	--	--	25,000	--	1,324	--	--	1,324
Amortization of deferred compensation.....	--	--	--	--	--	112	--	112
Net income.....	--	--	--	--	--	--	99,937	99,937
Balances, January 28, 2001.....	--	\$ --	68,457,617	\$68	\$277,029	\$ (6)	\$128,623	\$405,714

See accompanying notes to consolidated financial statements.

NVIDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended January 28, 2001	Year Ended January 30, 2000	Year Ended January 31, 1999
Cash flows from operating activities:			
Net income.....	\$ 99,937	\$ 38,098	\$ 4,130
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization.....	15,687	9,006	4,006
Deferred income taxes.....	(27,201)	(4,993)	(226)
Stock options granted in exchange for services.....	5	15	--
Amortization of deferred compensation...	112	662	2,537
Amortization of debt issuance costs.....	37	--	--
Bad debt expense.....	909	2,395	--
Tax benefit from employee stock plans...	63,199	10,613	45
Changes in operating assets and liabilities:			
Accounts receivable.....	(38,673)	(56,438)	(5,234)
Inventory.....	(52,274)	(9,008)	(28,102)
Prepaid expenses and other current assets.....	(29,981)	(5,161)	(1,005)
Deposits and other assets.....	1,344	1,985	(182)
Accounts payable.....	11,125	24,180	20,418
Accrued liabilities.....	23,683	4,517	1,746
Net cash provided by (used in) operating activities.....	67,909	15,871	(1,867)
Cash flows used in investing activities:			
Purchase of property and equipment.....	(36,329)	(11,589)	(7,899)
Deposit of restricted cash.....	(24,500)	--	--
Net cash used in investing activities.....	(60,829)	(11,589)	(7,899)
Cash flows from financing activities:			
Convertible notes, net of issuance costs.....	290,838	--	--
Borrowings (payments) under line of credit.....	--	(5,000)	5,000
Common stock issued under employee stock plans.....	19,910	7,677	348
Sale of common stock under public offering, net of issuance costs.....	96,669	5,741	37,539
Issuance and conversion of mandatorily convertible notes into common stock.....	--	--	11,000
Advance in connection with development agreement.....	200,000	--	--
Long-term payable related to patent license agreement.....	--	500	--
Payments under capital leases.....	(1,782)	(1,897)	(1,848)
Net cash provided by financing activities.....	605,635	7,021	52,039
Change in cash and cash equivalents.....	612,715	11,303	42,273
Cash and cash equivalents at beginning of period.....	61,560	50,257	7,984
Cash and cash equivalents at end of period.....	\$674,275	\$61,560	\$50,257
Cash paid for interest.....	\$160	\$332	\$471
Cash paid for taxes.....	\$235	\$15,965	\$ --
Non cash financing and investing activities:			
Assets recorded under capital lease.....	\$ --	\$1,264	\$2,245
Repurchase of common stock in settlement of accounts receivable.....	\$ --	\$7,452	\$ --

	=====	=====	=====
Issuance of common stock in connection with long-term software license.....	\$ --	\$5,000	\$ --
	=====	=====	=====
Liabilities assumed in connection with long-term software license.....	\$ --	\$5,000	\$ --
	=====	=====	=====
Issuance of common stock in exchange for an intangible asset.....	\$1,319	\$ --	\$ --
	=====	=====	=====

See accompanying notes to consolidated financial statements.

NVIDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Organization and Significant Accounting Policies

Organization

NVIDIA Corporation and subsidiaries (the "Company") designs, develops and markets 3D graphics processors for the PC market. The Company operates primarily in one industry segment in the United States, Asia and Europe. In April 1998, the Company was reincorporated as a Delaware corporation.

Fiscal Year

Effective January 1, 1998, the Company changed its fiscal year-end financial reporting period to January 31. The Company elected not to restate its previous reporting periods ending December 31. In addition, effective February 1, 1998, the Company changed its fiscal year end from January 31 to a 52- or 53- week year ending on the last Sunday in January. As a result, the first and fourth quarters of fiscal 1999 are 12- and 14-week periods, respectively, with the remaining quarters being 13-week periods. All four quarters of fiscal 2000 and 2001 are 13-week periods.

Principles of Consolidation

The consolidated financial statements include the accounts of NVIDIA Corporation and its wholly owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less at the time of purchase to be cash equivalents. Total cash at January 28, 2001 includes \$24.5 million of restricted cash relating to letters of credit in connection with the development of the Company's new facility to be completed in fiscal 2001 and 2002. (See Note 5 Financial Arrangements, Commitments and Contingencies). Currently, the Company's cash equivalents consist of \$589.9 million invested in money market funds.

Inventories

Inventories are stated at the lower of cost (first-in first-out) or market. Write-downs to reduce the carrying value of obsolete, slow moving and non- usable inventory to net realizable value are charged to cost of revenues.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method based on estimated useful lives, generally three to five years. Depreciation expense includes the amortization of assets recorded under capital leases. Leasehold improvements and assets recorded under capital leases are amortized over the shorter of the lease term or the estimated useful life of the asset.

Software Development Costs

Software development costs are expensed as incurred until the technological feasibility of the related product is established. After technological feasibility is established, any additional software development costs are capitalized in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards ("SFAS") No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed". Through January 28, 2001, the Company's process for developing software was completed concurrently with the establishment of technological feasibility, and, accordingly, no software costs have been

NVIDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

capitalized to date. Software development costs incurred prior to achieving technological feasibility are charged to research and development expense as incurred.

Debt Financing Costs

In connection with its financing arrangements, (see Note 5 Financial Arrangements, Commitments and Contingencies) the Company incurred certain direct costs from third parties who performed services that assisted in the closing of the related transaction. These costs are included in other assets on the balance sheet and are amortized on a straight line basis over the term of the financing.

Stock Split

In May 2000, the Company's Board of Directors approved a two-for-one stock split of the Company's common stock for stockholders of record on June 12, 2000, effected in the form of a 100% stock dividend. The transfer agent distributed the shares resulting from the split on June 26, 2000. All share and per-share numbers contained herein reflect this stock split.

Revenue Recognition

The Company recognizes revenue from product sales to customers when a contract is in place, the price is determined, shipment is made and collectibility is reasonably assured. The Company's policy on sales to distributors is to defer recognition of sales and related cost of sales until the distributors resell the product. Royalty revenue is recognized upon shipment of product by the licensee to its customers. The Company believes that the software sold with its products is incidental to the product as a whole.

During the fourth quarter of 2001, the Company adopted Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements, ("SAB 101"). The adoption of SAB 101 did not have a material effect on the Company's consolidated statement of financial position or results of operation.

Beginning in fiscal 2001, the Company entered into arrangements with vendors for the purchase and resale of non-high speed double data rate and single data rate memory to the Company's customers. The Company recognizes revenue from such arrangements on a net basis in accordance with Emerging Issue Task Force Issue No. 99-19, Recording Revenue as a Principal versus Net as an Agent. The Company is acting in the capacity of an agent for this product.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents and trade accounts receivable. The Company invests primarily in money market funds and limits the amount of exposure to any one financial institution. Two customers accounted for approximately 34% of the Company's accounts receivable balance at January 28, 2001. The Company performs ongoing credit evaluations of its customers' financial condition and maintains an allowance for potential credit losses.

Accounting for Stock-Based Compensation

The Company uses the intrinsic value method to account for its stock-based employee compensation plans. Deferred compensation arising from stock-based awards is amortized in accordance with Financial Accounting Standards Board Interpretation No. 28, Accounting for Stock Appreciation Rights and Other Variable Stock Options or Award Plans.

NVIDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Income Taxes

The Company records income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Fair Value of Financial Instruments

The carrying value of cash, cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short maturity of those instruments. The carrying value of the Company's convertible notes approximated fair value as of January 28, 2001. The fair value of the Company's convertible notes based on quoted market prices as of January 28, 2001 was \$245,250,000.

Comprehensive Income

The Company had no other components of comprehensive income other than the reported amounts of net income in all periods presented.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New Accounting Pronouncements

In March 2000, the Emerging Issues Task Force ("EITF") issued EITF No. 00- 02, "Accounting for Web Site Development Costs." EITF No. 00-2 establishes accounting and reporting standards for capitalization of web site development costs in accordance with Statement of Position No. 98-1, Accounting for Cost of Computer Software Developed or Obtained for Internal Use. The adoption of EITF No. 00-2 during the fourth quarter of fiscal 2001 did not have a material impact on the Company's financial position, results of operations or cash flows.

The "EITF" issued EITF No. 00-10, "Accounting for Shipping and Handling Fees and Costs." EITF 00-10 establishes accounting and reporting standards for the classification of shipping and handling costs, as well as costs incurred related to shipping and handling. The adoption of EITF 00-10 during the fourth quarter of fiscal 2001 had no material impact on the Company's financial position, results of operations or cash flows.

NVIDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Net Income Per Share

Basic net income per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period, using either the as-if- converted method for mandatorily convertible notes and convertible preferred stock or the treasury stock method for options and warrants. The following is a reconciliation of the numerators and denominators of the basic and diluted net income per share computations for the periods presented:

	Income (Numerator)	Shares (Denominator)	Amount Per Share
	-----	-----	-----
	(in thousands)		
Year ended January 28, 2001			
Basic net income.....	\$99,937	65,499	\$1.53
Effect of dilutive securities:			
Stock options outstanding.....	--	14,148	--
	-----	-----	-----
Diluted net income.....	\$99,937	79,647	\$1.25
	=====	=====	=====
Year ended January 30, 2000			
Basic net income.....	\$38,098	59,744	\$0.64
Effect of dilutive securities:			
Stock options outstanding.....		12,006	
Warrants.....		142	
Common stock issuable in connection with long-term software license.....	--	304	--
	-----	-----	-----
Diluted net income.....	\$38,098	72,196	\$0.53
	=====	=====	=====
Year ended January 31, 1999			
Basic net income.....	\$ 4,130	29,130	\$0.14
Effect of dilutive securities:			
Stock options outstanding.....		5,812	
Warrants.....		232	
Mandatorily convertible notes.....		1,434	
Convertible preferred stock.....	--	18,178	--
	-----	-----	-----
Diluted net income.....	\$ 4,130	54,786	\$0.08
	=====	=====	=====

For fiscal 2001, instruments excluded from the computation of diluted earnings per share were options to acquire 2,238,250 shares of common stock with a weighted average exercise price of \$60.82 and the assumed conversion of convertible debt into 3,235,897 at a conversion price of \$92.71. There were no antidilutive instruments outstanding in fiscal 2000. For fiscal 1999, instruments excluded from the computation of diluted earnings per share were options to acquire 642,750 shares of common stock with a weighted average exercise price of \$8.86. These instruments were excluded from the computation of diluted earnings per share because the effect would be antidilutive.

NVIDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(2) Balance Sheet Components

Certain balance sheet components are as follows:

	January 28, 2001	January 30, 2000
	-----	-----
	(in thousands)	
Inventory:		
Raw material.....	\$22,906	--
Work in-process.....	11,815	\$ 6,446
Finished goods.....	55,184	31,185
	-----	-----
Total inventory.....	\$89,905	\$37,631
	=====	=====

At January 28, 2001, the Company had noncancelable inventory purchase commitments totaling \$148.2 million.

	January 28, 2001	January 30, 2000
	-----	-----
	(in thousands)	
Property and Equipment:		
Purchased engineering software.....	\$ 25,642	\$ 17,280
Test equipment.....	13,343	8,097
Computer equipment.....	24,699	14,194
Leasehold improvements.....	2,110	878
Construction in process.....	8,578	--
Office furniture and equipment.....	1,873	881
	-----	-----
	76,245	41,330
Accumulated depreciation and amortization.....	(28,965)	(15,444)
	-----	-----
Property and equipment, net.....	\$ 47,280	\$ 25,886
	=====	=====

Assets recorded under capital leases included in property and equipment were \$6,892,000 and \$4,905,000 as of January 30, 2000 and January 28, 2001, respectively. Accumulated amortization thereon was \$5,285,000 and \$3,979,000 as of January 30, 2000 and January 28, 2001, respectively.

	January 28, 2001	January 30, 2000
	-----	-----
	(in thousands)	
Accrued Liabilities:		
Accrued sales and marketing allowances.....	\$ 10,154	\$ 5,377
Income taxes payable.....	10,010	--
Accrued payroll and related expenses.....	9,281	3,605
Other.....	3,767	547
	-----	-----
Total accrued liabilities.....	\$33,212	\$9,529
	=====	=====

(3) Stockholders' Equity

Common Stock Offering

In October 2000, the Company sold an additional 1,400,000 shares of its common stock to the public for net proceeds of approximately \$96.7 million, after deducting underwriting discounts, commissions and expenses of the offering.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Mandatorily Convertible Notes

Convertible subordinated non-interest bearing notes were issued to three major customers in July and August 1998 for a total of \$11.0 million. The notes were subordinated to certain senior indebtedness. On January 15, 1999, the outstanding principal balance of these notes automatically converted into 3,142,858 shares of common stock of the Company at a conversion price equal to \$3.50 per share.

Convertible Preferred Stock

On January 22, 1999, 18,654,174 shares of preferred stock were automatically converted into common stock upon the completion of the initial public offering of common stock. As of January 28, 2001, there are no shares of preferred stock outstanding and the Company has no current plans to issue any of the authorized preferred stock except in reference to the agreement with Microsoft entered into on March 5, 2000. (See Note 7 Development Agreements).

2000 Nonstatutory Equity Incentive Plan

On August 1, 2000, the Company's Board of Directors adopted the 2000 Nonstatutory Equity Incentive Plan (the "2000 Plan") to provide for the issuance of the Company's common stock to employees and consultants who are not directors, officers or 10% stockholders. The 2000 Plan provides for the issuance of nonstatutory stock options, stock bonuses and restricted stock purchase rights. Options generally expire in 10 years. The Compensation Committee appointed by the Board of Directors has the authority to amend the 2000 Plan and to determine the option term, exercise price and vesting period of each grant. Options generally vest ratably over a four-year period, with 25% becoming vested approximately one year from the date of grant and the remaining 75% vesting on a quarterly basis over the next three years. A total of 8,094,601 shares are authorized for issuance under the 2000 Plan. There were 2,357,476 shares reserved for future issuance as of January 28, 2001.

1998 Equity Incentive Plan

The 1998 Equity Incentive Plan (the "1998 Plan") was adopted by the Company's Board of Directors on February 17, 1998 and was approved by the Company's stockholders on April 6, 1998 as an amendment and restatement of the Company's then existing Equity Incentive Plan which had been adopted on May 21, 1993. The 1998 Plan provides for the issuance of the Company's common stock to directors, employees and consultants. The 1998 Plan provides for the issuance of stock bonuses, restricted stock purchase rights, incentive stock options or nonstatutory stock options. Additionally, the 1998 Plan provides that on the last day of each fiscal year, starting with the year ending January 31, 1999, the aggregate number of shares of common stock that are available for issuance are automatically to be increased by a number of shares equal to five percent (5%) of the Company's outstanding common stock on such date, including on an as-if-converted basis preferred stock and convertible notes, and outstanding options and warrants, calculated using the treasury stock method. There are a total of 41,568,491 shares authorized for issuance and 4,182,726 shares are reserved for future issuance as of January 28, 2001.

Pursuant to the 1998 Plan, the exercise price for incentive stock options is at least 100% of the fair market value on the date of grant or for employees owning in excess of 10% of the voting power of all classes of stock, 110% of the fair market value on the date of grant. For nonstatutory stock options, the exercise price is no less than 85% of the fair market value on the date of grant.

Options generally expire in 10 years. Vesting periods are determined by the Board of Directors. However, the initial options granted generally vest ratably over a four year period, with 25% becoming vested

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

approximately one year from the date of grant and the remaining 75% vesting on a quarterly basis over the next three years. Subsequent grants vest quarterly over a four year period. Options granted prior to December 1997 could be exercised prior to full vesting. Any unvested shares so purchased were subject to a repurchase right in favor of the Company at a repurchase price per share that was equal to the original per share purchase price. The right to repurchase at the original price would lapse at the rate of 25% per year over the four-year period from the date of grant. As of January 28, 2001, there were 175,875 shares subject to repurchase.

1998 Non-Employee Directors' Stock Option Plan

In February 1998, the Board adopted the 1998 Non-employee Directors' Stock Option Plan (the "Directors Plan") to provide for the automatic grant of options to purchase shares of the Company's common stock to directors of the Company who are not employees or consultants of the Company or of an affiliate of the Company. Under the Directors Plan, whereby non-employee directors who are elected or appointed for the first time are automatically granted 100,000 non-qualified stock options ("Initial Grant"). On the day following each annual meeting, non-employee directors shall be granted an option to purchase 40,000 shares of common stock and each non-employee director who is a member of a Committee shall be granted an option to purchase 10,000 shares of common stock ("Annual Grant"); however, if the person has not been serving on the Board or committee since the prior year annual meeting, then the number of shares granted will be reduced pro rata for each full quarter prior to the date of grant during which such person did not serve as a non-employee director.

Initial Grants vest monthly over a four-year period and become exercisable on the fourth anniversary of the date of grant. Options under the Annual Grant vest monthly over a one year period and become exercisable on the one-year anniversary of the date of grant if the director has attended at least 75% of the regularly scheduled meetings. If the director fails to attend at least 75% of the regularly scheduled meetings, then options will vest annually over four years following the date of grant at the rate of 10% per year for the first three years and 70% for the fourth year such that the entire option will become exercisable on the four-year anniversary of the date of grant. The exercise price for such options is at least 100% of the fair market value on the date of grant. No option granted under the Directors Plan may be exercised after the expiration of 10 years from the date it was granted.

The Compensation Committee administers the Directors Plan. A total of 600,000 shares have been authorized and issued under the Directors Plan and there are no more available as of January 28, 2001. In July 2000, the Board of Directors amended the 1998 Plan to incorporate the automatic grant provisions of the Directors Plan. Future grants will be made out of the 1998 Plan.

Employee Stock Purchase Plan

In February 1998, the Board adopted the 1998 Employee Stock Purchase Plan (the "Purchase Plan"). In June 1999, the Purchase Plan was amended to increase the number of shares reserved for issuance automatically each year at the end of the Company's fiscal year for the next 10 years (commencing at the end of fiscal 2000 and ending 10 years later in 2009) by an amount equal to 2% of the outstanding shares of the Company on each such date, including on an as-if-converted basis preferred stock and convertible notes, and outstanding options and warrants, calculated using the treasury stock method; provided that the maximum number of shares of common stock available for issuance on the Purchase Plan could not exceed 13,000,000 shares. At January 28, 2001, 572,302 shares have been issued under the Purchase Plan and 3,636,125 shares have been reserved for further issuance.

The Purchase Plan is intended to qualify as an "employee stock purchase plan" under Section 423 of the Code. Under the Purchase Plan, the Board may period has been set at one year; each offering period is divided into two authorize participation by eligible employees, including officers, in periodic offerings following the adoption of the Purchase Plan. Under the Purchase Plan, offerings period of an offering will be no longer than 27 months. Under the current offering adopted pursuant to the Purchase Plan, each offering shorter purchase periods of approximately six months in duration.

NVIDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Employees are eligible to participate if they are employed by the Company or an affiliate of the Company designated by the Board. Employees who participate in an offering generally can have up to 10% of their earnings withheld pursuant to the Purchase Plan and applied, on specified dates determined by the Board, to the purchase of shares of common stock. The Board may increase this percentage at its discretion, up to 15%. The price of common stock purchased under the Purchase Plan will be equal to the lower of 85% of the fair market value of the common stock on the commencement date of each offering period or 85% of the fair market value of the common stock on the relevant purchase date. Employees may end their participation in the offering at any time during the offering period, and participation ends automatically on termination of employment with the Company.

Stock-Based Compensation

The Company accounts for the 1998 and 2000 plans using the intrinsic value method. As such, compensation expense is recorded if on the date of grant the current fair value per share of the underlying stock exceeds the exercise price per share. With respect to certain options granted during 1997 and the one month ended January 31, 1998, the Company recorded deferred compensation of \$4,277,000 and \$361,000, respectively, for the difference at the grant date between the exercise price per share and the fair value per share, based upon independent valuations and management's estimate of the fair value of the Company's stock on the various grant dates of the common stock underlying the options. This amount is being amortized over the vesting period of the individual options, generally four years.

As permitted under Statement of Financial Accounting Standards No. 123, ("SFAS 123"), the Company has elected to follow Accounting Principles Board Opinion No. 25 ("APB 25") and related Interpretations in accounting for stock-based awards to employees. Compensation cost for the Company's stock-based compensation plans as determined consistent with SFAS 123, would have decreased net income to the pro forma amounts indicated below:

	Year Ended January 28, 2001	Year Ended January 30, 2000	Year Ended January 31, 1999
Net income--as reported.....	\$99,937	\$38,098	\$4,130
Net income--pro forma.....	\$54,739	\$30,397	\$3,017
Basic net income per share--as reported..	\$ 1.53	\$ 0.64	\$ 0.14
Basic net income--pro forma.....	\$ 0.84	\$ 0.51	\$ 0.10
Diluted net income per share--as reported.....	\$ 1.25	\$ 0.53	\$ 0.08
Diluted net income--pro forma.....	\$ 0.69	\$ 0.42	\$ 0.06

The fair value of options granted under the Purchase Plan has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Year Ended January 28, 2001	Year Ended January 30, 2000	Year Ended January 31, 1999
Expected life (in months).....	8	5	8
Risk free interest rate.....	6.2%	5.1%	4.5%
Volatility.....	85%	70%	70%
Dividend yield.....	--	--	--

The weighted-average fair value of shares granted under the Purchase Plan during the year ended January 28, 2001, January 30, 2000 and January 31, 1999 was approximately \$14.08, \$4.41 and \$2.31, respectively.

NVIDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The fair value of options granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted- average assumptions:

	Year Ended January 28, 2001	Year Ended January 30, 2000	Year Ended January 31, 1999
Expected life (in years).....	4	5	5
Risk free interest rate.....	5.7%	5.8%	6.0%
Volatility.....	85%	70%	0%
Dividend yield.....	--	--	--

The weighted-average per share fair value of options granted during the years ended January 28, 2001, January 30, 2000 and January 31, 1999 was approximately \$26.21, \$13.53 and \$1.45, respectively.

The following summarizes the transactions under the equity incentive and non-employee director plans:

	Available for Grant	Number of Shares Under Option	Weighted Average Price Per Share
Balances, January 31, 1998.....	1,637,914	8,678,666	\$ 1.12
Authorized.....	13,757,212	--	--
Granted.....	(13,185,100)	13,225,100	3.61
Exercised.....	--	(405,550)	.96
Cancelled.....	3,385,376	(3,385,376)	3.18
Balances, January 31, 1999.....	5,595,402	18,112,840	2.56
Authorized.....	3,861,924	--	--
Repurchased.....	90,000	--	--
Granted.....	(6,779,200)	6,779,200	10.80
Exercised.....	--	(3,578,938)	1.78
Cancelled.....	1,621,702	(1,621,702)	3.13
Balances, January 30, 2000.....	4,389,828	19,691,400	5.49
Authorized.....	12,243,957	--	--
Granted.....	(10,927,375)	10,927,375	40.40
Exercised.....	--	(4,510,305)	3.69
Cancelled.....	833,792	(833,792)	14.73
Balances, January 28, 2001.....	6,540,202	25,274,678	\$20.59

In July 1998, the Board of Directors adopted a resolution allowing employees to exchange some or all of their existing unexercised options to purchase common stock of the Company for options having an exercise price of \$3.15 per share. The repriced options retain the same vesting schedule as the originally issued options, but the repriced options did not become exercisable until July 1999. Options to purchase approximately 2,507,000 shares of common stock were repriced under this program. Stock options held by executive officers and directors were not eligible for such repricing.

During fiscal 2000, the Company granted common stock options within the Plan to consultants for services rendered. The fair value of all option grants to non-employees has been estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield--none; expected life-- contractual term; risk free interest rates--6.0% to 6.5%; volatility--60%. The estimated fair value of these options was \$22,000 in fiscal 2000.

NVIDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

In 1998, options to purchase 40,000 shares of common stock were granted to an outside investor. As of January 28, 2001, options to purchase 12,500 shares of common stock were outstanding, of which zero shares were vested.

The following table summarizes information about stock options outstanding as of January 28, 2001:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	
\$ 0.18 -- \$.18	418,939	6.0	0.18	344,439	0.18	
0.65 -- 0.65	448,804	6.4	0.65	237,053	0.65	
1.32 -- 1.58	1,041,335	6.8	1.44	522,960	1.46	
2.08 -- 2.75	387,710	7.0	2.49	182,435	2.48	
3.15 -- 4.50	6,687,169	7.5	3.53	2,868,652	3.59	
8.19 -- 11.75	4,649,371	8.6	9.62	1,138,993	9.11	
17.31 -- 18.69	1,742,926	8.9	18.25	322,024	18.24	
29.94 -- 44.57	6,351,424	9.7	33.54	136,877	32.00	
49.25 -- 68.00	3,547,000	9.7	57.66	69,740	57.57	
\$ 0.18 -- \$68.00	25,274,678	8.5	20.59	5,823,173	6.25	
	=====			=====		

(4) 401(K) Plan

The Company has a 401(K) Plan (the "Plan") covering substantially all of its United States employees. Under the Plan, participating employees may defer up to 20 percent of their pre-tax earnings, subject to the Internal Revenue Service annual contribution limits.

(5) Financial Arrangements, Commitments and Contingencies

Convertible Subordinated Notes

In October 2000, the Company sold \$300 million of Convertible Subordinated Notes (the "Notes") due October 15, 2007. Proceeds net of issuance costs were \$290.8 million. Issuance costs are being amortized to interest expense on a straight-line basis over the term of the notes. Interest on the Notes accrues at the rate of 4 3/4% per annum and is payable semiannually in arrears on April 15 and October 15 of each year, commencing April 15, 2001. The Notes are redeemable at the Company's option on and after October 20, 2003. The Notes are convertible at the option of the holder at any time prior to the close of business on the maturity date, unless previously redeemed or repurchased, into shares of common stock at a conversion price of \$92.71 per share, subject to adjustment in certain circumstances. In the event of a fundamental change, as defined in the Notes indenture, each holder of the Notes has the right, subject to certain conditions and restrictions, to require the Company to repurchase the Notes, in whole or in part, at a repurchase price of 100% of the principal amount, plus accrued interest to the repurchase date. In connection with its debt financing arrangement, the Company incurs certain direct, incremental costs from third parties who perform services that assist in the closing of the related transactions. These costs are included in deposits and other assets on the balance sheet and amortized using the straight line method over the term of the financing.

Short-term Borrowings

In July 1999, the Company entered into an amended loan and security agreement with a bank, which included a \$10.0 million revolving loan agreement with a borrowing base equal to 80% of eligible accounts.

NVIDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Borrowings under the line of credit bore interest at the prime rate, which was 8.5% at January 30, 2000, and was due in July 2000. Covenants governing the loan agreement require the maintenance of certain financial ratios. The agreement expired on July 29, 2000.

Lease Obligations

In April 2000, the Company entered into leases for its new headquarters complex in Santa Clara, California. The Company expects the first phase to be completed in June 2001, the second phase to be completed in July 2001 and the last phase to be completed in March 2002. The leases expire in 2012 and includes two seven-year renewals at the Company's option. In addition, there is \$24.5 million in restricted cash relating to letters of credit in place for the developer of the new facility. Future minimum lease payments under these operating leases total approximately \$227.1 million over the terms of the leases and are included in the future minimum lease schedule below.

In addition to the commitment of the new headquarters, the Company has the current office facilities under operating leases expiring through 2003. Future minimum lease payments under the Company's noncancelable capital and operating leases as of January 28, 2001, are as follows (in thousands):

Year ending January	Operating Capital	

2002.....	\$ 12,016	\$ 699
2003.....	21,111	426
2004.....	20,268	4
2005.....	20,643	--
2006.....	21,718	--
2007 and thereafter.....	137,331	--
	-----	-----
Total.....	\$233,087	1,129
	=====	
Less amount representing interest, at rates ranging from 8% to 10%.....		163

Present value of minimum debt payments.....		966
Less current portion.....		588

Long term portion.....		\$ 378
		=====

The following is an analysis of the property and equipment under capital leases by major classes:

	January 28, 2001	January 30, 2000
	-----	-----
	(in thousands)	
Classes of Property and Equipment:		
Computer equipment.....	\$ 3,364	\$ 4,192
Test equipment.....	805	1,915
Software and other.....	736	785
	-----	-----
	4,905	6,892
Accumulated depreciation and amortization.....	(3,979)	(5,285)
	-----	-----
Leased property and equipment, net.....	\$ 926	\$ 1,607
	=====	=====

Rent expense for the years ended January 28, 2001, January 30, 2000 and January 31, 1999 was approximately \$3,127,000, \$2,501,000 and \$1,555,000, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Litigation

On September 21, 1998, 3dfx Interactive, Inc. filed a patent infringement lawsuit against the Company in the United States District Court for the Northern District of California alleging infringement of a 3dfx patent. The lawsuit was amended in 1999 to add two additional 3dfx patents. On August 28, 2000, the Company filed a patent infringement lawsuit against 3dfx in the United States District Court for the Northern District of California alleging infringement by 3dfx of five of our patents. The complaint by 3dfx alleges that our RIVA TNT, RIVA TNT2 and RIVA TNT Ultra products infringed the patents in suit and sought unspecified compensatory and trebled damages and attorney's fees, as well as injunctive relief. The Company's current generation of products was not identified as infringing any of the patents in suit. The lawsuit filed by the Company against 3dfx alleges that 3dfx's graphics chips and card products, which were used to accelerate 3D graphics on personal computers, infringed five of the Company's patents and sought an injunction restraining 3dfx from manufacturing, selling, or importing infringing graphics chips and card products, including its Voodoo3, Voodoo4, Voodoo5 and VSA-100 family of products, as well as monetary damages. Following the closing of the definitive agreement entered into by the Company and 3dfx, the Company and 3dfx jointly filed to dismiss with prejudice the above described patent litigation.

On February 22, 2000, Graphiques Matrox, Inc. and Systemes Electroniques Matrox Ltd. (collectively "Matrox") filed suit against the Company in the Superior Court, Judicial District of Montreal, Province of Quebec, Canada. The suit alleges that the Company improperly solicited and recruited Matrox employees and encouraged Matrox employees to breach their Matrox confidentiality and/or non-competition agreements. The suit by Matrox seeks, among other things, certain injunctive relief. The Company believes that the claims asserted by Matrox are without merit and intends to vigorously defend this suit. The trial of this matter started on April 4, 2001 and ended on April 24, 2001. The court took the case under submission and indicated that it would not likely issue a final decision on the merits for approximately two months.

On May 19, 2000, the Company filed suit against Matrox in Santa Clara County Superior Court alleging that Matrox's efforts to prevent its current and former employees from pursuing employment opportunities with the Company constitute interference with the Company's ability to enter into certain contracts and unfair competition. The Company's suit seeks, among other things, unspecified monetary damages, a declaration that Matrox's confidentiality and/or non-competition agreements are unenforceable under California law and a declaration that its use of those agreements and other tactics constitutes unfair competition. On May 26, 2000, the case was transferred to the San Jose Division of the United States District Court for the Northern District of California. On June 14, 2000, Matrox filed an answer denying the Company's claims and a counterclaim alleging trade secret misappropriation, intentional interference with contractual relations and unfair competition. Matrox's California suit seeks unspecified monetary damages and injunctive relief. The Company filed an answer to this counterclaim on July 7, 2000, denying all of Matrox's claims. As with the Montreal action, the Company believes that the claims asserted by Matrox are without merit and intends to vigorously defend this suit.

In addition to the above litigation, from time to time the Company is subject to claims in the ordinary course of business, none of which is viewed to have a material adverse impact on the Company's business or financial position if resolved unfavorably.

NVIDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(6) Income Taxes

The components of income tax expense are as follows:

	Year Ended January 28, 2001	Year Ended January 30, 2000	Year Ended January 31, 1999
Current:			
Federal.....	\$ --	\$11,624	\$538
State.....	205	824	--
Foreign.....	10,824	--	--
Total current.....	11,029	12,448	538
Deferred:			
Federal.....	(15,866)	(3,923)	(226)
State.....	(11,335)	(1,070)	--
Foreign.....	--	--	--
Total deferred.....	(27,201)	(4,993)	(226)
Charge in lieu of taxes attributable to employer stock option plans.....	63,199	10,613	45
Total income taxes.....	\$47,027	\$18,068	\$357
	=====	=====	=====

The provision for income taxes differs from the amount computed by applying the federal statutory income tax rate of 35% to income before taxes as follows:

	Year Ended January 28, 2001	Year Ended January 30, 2000	Year Ended January 31, 1999
Tax expense computed at federal statutory rate.....	\$51,436	\$19,658	\$ 1,570
Loss carryforward.....	--	--	(1,570)
Alternate Minimum Tax.....	--	--	357
State income taxes, net of federal tax benefit.....	2,547	1,531	--
Foreign tax rate differential.....	(3,812)	--	--
Research and experimentation credit.....	(3,274)	(1,389)	--
Change in valuation allowance.....	--	(4,784)	--
Other.....	130	3,052	--
Total income taxes.....	\$47,027	\$18,068	\$ 357
	=====	=====	=====

The tax effect of temporary differences that gives rise to significant portions of the deferred tax assets are presented below:

	January 28, 2001	January 30, 2000
Net operating loss carryforwards.....	\$ 3,216	\$ --
Accruals and reserves, not currently taken for tax purposes.....	10,008	4,996
Property, equipment and intangible assets.....	9,820	--
Research credit carryforwards.....	9,376	--
Other.....	--	223
Total gross deferred tax assets.....	32,420	5,219
Less valuation allowance.....	--	--
Net deferred tax assets.....	\$32,420	\$5,219
	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

A valuation allowance was not established for the years ended January 30, 2000 and January 28, 2001 as management believes that it is more likely than not that future operations will generate sufficient taxable income to realize the deferred tax assets.

As of January 28, 2001, the Company had a federal net operating loss carryforward of approximately \$9,188,000, which will expire in 2021. The Company has federal and California research and experimentation tax credit carryforwards of approximately \$7,707,000 and \$1,669,000, respectively, as of January 28, 2001. The federal tax credits expire in 2021, and the California tax credits may be carried over indefinitely. Utilization of net operating loss and tax credit carryforwards may be subject to limitations due to ownership change and other limitations provided by the Internal Revenue Code and similar state provisions. If such a limitation applies, the net operating loss and tax credit carryforwards may expire before full utilization.

(7) Development Agreements

On March 5, 2000, the Company entered into an agreement with Microsoft pursuant to which the Company agreed to develop and sell graphics chips and to license certain technology to Microsoft and its licensees for use in the Xbox video game console under development by Microsoft. In April 2000, Microsoft paid the Company \$200 million as an advance against graphics chip purchases. Microsoft may terminate the agreement at any time. If termination occurs prior to offset in full of the advance payments, the Company would be required to return to Microsoft up to \$100 million of the prepayment and to convert the remainder into preferred stock of the Company at a 30% premium to the 30-day average trading price of the common stock preceding Microsoft's termination of the agreement. In addition, in the event that an individual or corporation makes an offer to purchase shares equal to or greater than thirty percent (30%) of the outstanding shares of the Company's common stock, Microsoft has first and last rights of refusal to purchase the stock. The graphics chip contemplated by the agreement is highly complex, and the development and release of the Microsoft Xbox video game console and its commercial success are dependent upon a number of factors, many of which the Company cannot control. The Company cannot guarantee that it will be successful in developing the graphics chip for use by Microsoft or that the product will be developed or released, or if released, will be commercially successful.

The Company had a strategic collaboration agreement with ST for the manufacture, marketing, and sale of certain of the Company's products. In connection with this agreement, the Company recorded royalty revenue of \$6,824,000, in January 31, 1999. Royalty revenue decreased to zero in fiscal 2000 due primarily to reduced sales of RIVA 128 graphics processor and derivative products and disputes with ST regarding payment. The Company does not expect to record or receive royalty revenue from ST in the future.

(8) Long-term Software Licensing Agreement

On April 12, 1999, the Company entered into a \$10.0 million five-year software licensing agreement with a supplier in the electronic design automation industry. Under this agreement, the \$10.0 million was due in two installments. The first installment was settled in June 1999 for 487,804 shares of the Company's common stock valued at \$5.0 million. The second installment was settled in cash on March 31, 2000.

(9) Stock Repurchase Agreement

In June 1999, the Company repurchased 857,144 shares of the Company's common stock from a major customer in settlement for a portion of then outstanding accounts receivable, in the amount of \$7.5 million.

NVIDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(10) Segment Information

The Company operates in a single industry segment: the design, development and marketing of 3D graphics processors for the PC market. The Company's chief operating decision maker, the Chief Executive Officer, reviews financial information presented on a consolidated basis for purposes of making operating decisions and assessing financial performance. Enterprise-wide information provided on geographic sales is based upon the billing location of the customer. Long-lived assets include all long-term assets except those specifically excluded under SFAS No. 131, such as deferred income taxes and financial instruments. The following tables summarize information on the Company's operations in different geographic areas as follows:

	Year Ended January 28, 2001	Year Ended January 30, 2000	Year Ended January 31, 1999
Revenue:			
U.S.....	\$ 77,809	\$103,609	\$120,788
Asia Pacific.....	556,088	208,832	29,649
Europe.....	101,367	62,064	7,800
	-----	-----	-----
Total revenue.....	\$735,264	\$374,505	\$158,237
	=====	=====	=====

	Year Ended January 28, 2001	Year Ended January 30, 2000	Year Ended January 31, 1999
Long-lived assets:			
U.S.....	\$77,211	\$41,330	\$18,591
Asia Pacific.....	545	--	--
Europe.....	73	--	--
	-----	-----	-----
Total long-lived assets.....	\$77,829	\$41,330	\$18,591
	=====	=====	=====

Revenues to significant customers, those representing approximately 10% or more of total revenue for the respective periods, are summarized as follows:

	Year Ended January 28, 2001	Year Ended January 30, 2000	Year Ended January 31, 1999
Revenue:			
Customer A.....	--	3%	35%
Customer B.....	--	15%	27%
Customer C.....	5%	17%	13%
Customer D.....	--	2%	12%
Customer E.....	25%	15%	--
Customer F.....	9%	10%	4%
Customer G.....	11%	5%	--

	As of January 28, 2001	As of January 20, 2000
Accounts Receivable:		
Customer A.....	--	--
Customer B.....	--	4%
Customer C.....	1%	15%
Customer D.....	--	--
Customer E.....	18%	12%
Customer F.....	7%	6%
Customer G.....	16%	13%

NVIDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(11) Quarterly Summary (Unaudited)

	Quarters Ended							
	Jan. 28, 2001	Oct. 29, 2000	July 30, 2000	April 30, 2000	Jan. 30, 2000	Oct. 31, 1999	Aug. 1, 1999	May 2, 1999
	(in thousands, except per share data)							
Statement of Operations Data:								
Revenues.....	\$218,218	\$198,165	\$170,398	\$148,483	\$128,455	\$97,015	\$78,017	\$71,018
Cost of revenues.....	135,849	124,643	106,631	92,975	79,809	60,195	49,625	45,946
Gross profit.....	82,369	73,522	63,767	55,508	48,646	36,820	28,392	25,072
Net income.....	31,060	28,068	22,522	18,287	14,587	10,564	6,686	6,261
Basic net income per share.....	\$.46	\$.43	\$.35	\$.29	\$.24	\$.18	\$.11	\$.11
Diluted net income per share.....	\$.38	\$.35	\$.28	\$.24	\$.19	\$.15	\$.09	\$.09

(12) Definitive Agreement

On December 15, 2000, the Company signed a definitive agreement pursuant to which the Company would acquire certain graphics related assets of 3dfx. These graphics related assets include, but are not limited to, patents, pending patent applications, trademarks, brand names and other assets related to the graphics business of 3dfx. On April 18, 2001, the Company completed the purchase contemplated by the definitive agreement. The Company has paid 3dfx approximately \$70 million in total consideration. Subject to the satisfaction of additional conditions, 3dfx may receive additional consideration in the form of cash and/or shares of our common stock. Also, as a result of the closing, the Company and 3dfx jointly filed to dismiss with prejudice the patent litigation between us. The transaction will be accounted for as a purchase.

NVIDIA CORPORATION AND SUBSIDIARIES

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

Description -----	Balance Beginning -----	Additions Charged to Revenue and Expenses -----	Charged to other Accounts -----	Deductions of Period -----	Balance at End of Period -----
Year ended January 28, 2001					
Allowance for sales returns and allowances...	\$4,092 =====	\$12,436 =====	-- =====	\$ 9,436(1) =====	\$7,092 =====
Allowance for doubtful accounts.....	\$2,351 =====	\$ 1,985 =====		\$ 3,025(2) =====	\$1,311 =====
Year ended January 30, 2000					
Allowance for sales returns and allowances...	\$2,627 =====	\$ 4,546 =====	-- =====	\$ 3,081(1) =====	\$4,092 =====
Allowance for doubtful accounts.....	\$ -- =====	\$ 2,395 =====	-- =====	\$ 44(2) =====	\$2,351 =====
Year ended January 31, 1999					
Allowance for sales returns and allowances...	\$ 349 =====	\$ 6,261 =====	-- =====	\$ 3,983(1) =====	\$2,627 =====

(1) Represents amounts written off against the allowance for sales returns.

(2) Uncollectible accounts written off.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on May 25, 2001.

NVIDIA Corporation

By: /s/ Jen-Hsun Huang
Jen-Hsun Huang
President, Chief Executive Officer
and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature -----	Title -----	Date -----
<u>/s/ Jen-Hsun Huang</u> Jen-Hsun Huang	President, Chief Executive Officer and Director (Principal Executive Officer)	May 25, 2001
<u>/s/ Christine B. Hoberg</u> Christine B. Hoberg	Chief Financial Officer (Principal Financial and Accounting Officer)	May 25, 2001
<u>/s/ Tench Cox</u> Tench Cox	Director	May 25, 2001
<u>/s/ James C. Gaither</u> James C. Gaither	Director	May 25, 2001
<u>/s/ Harvey C. Jones</u> Harvey C. Jones	Director	May 25, 2001
<u>/s/ William J. Miller</u> William J. Miller	Director	May 25, 2001
<u>/s/ A. Brooke Seawell</u> A. Brooke Seawell	Director	May 25, 2001
<u>/s/ Mark A. Stevens</u> Mark A. Stevens	Director	May 25, 2001

EXHIBIT 23.1

CONSENT OF KPMG LLP

The Board of Directors
NVIDIA Corporation:

We consent to incorporation by reference in the registration statements (Nos. 333-51520 and 333-74905) on Form S-8, (No. 333-33560) on Form S-3/A and (Nos. 333-46650 and 333-47102) on Form S-3 of NVIDIA Corporation of our report dated February 14, 2001, except as to Note 12, which is as of April 18, 2001, relating to the consolidated balance sheets of NVIDIA Corporation and subsidiaries as of January 28, 2001 and January 30, 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended January 28, 2001, and the related schedule, which report is included in Form 10-K/A of NVIDIA Corporation.

/s/ KPMG LLP

Mountain View, California

May 25, 2001

End of Filing

Powered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.