(D) On November 8, 2012, we initiated a quarterly dividend payment of 7.5 cents per share, or 30 cents on an annual basis. On November 7, 2013, we increased the quarterly cash dividend to 8.5 cents per share, or 34 cents on an annual basis.

(E) On December 2, 2013, we issued$1.5 billion aggregate principal amount of 1.00% Convertible Senior Notes due 2018.

(F) On June 10, 2011, we completed the acquisition of Icera, Inc. for total cash consideration of $352.2 million, and recorded goodwill of $271.2 million.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with “Item 1A. Risk Factors”, “Item 6. Selected Financial Data”, our Consolidated Financial Statements and related Notes thereto, as well as other cautionary statements and risks described elsewhere in this Annual Report on Form 10-K, before deciding to purchase, hold or sell shares of our common stock.

Overview

Our Company

NVIDIA is a visual computing company. In a world increasingly filled with visual displays, our graphics technologies let our customers interact with the world of digital ideas, information and entertainment with an efficiency that no other communication medium can match.

Our strategy is to be the world leader in visual computing. We target applications in each of the major computing platforms - PC, cloud, mobile - where we can create value. Our target markets are gaming, design and visualization, high performance computing, or HPC, and data center, and automotive and smart devices. We deploy business models we believe are best suited for each application, whether IP, chips, systems, or NVIDIA-branded devices and services.

We have long been known for bringing video games to life with our PC graphics chips. With our invention of the GPU, we introduced the world to the power of programmable shading, which defines modern computer graphics. Today, we reach well beyond PC graphics and games. Our energy-efficient processors are at the heart of products ranging from smartphones to automobiles to supercomputers. We believe in leveraging our processors and visual computing expertise to create differentiated products.

PC gamers choose our GPUs to enjoy immersive fantasy worlds. Our Tegra system-on-a-chip, or SOC, processors power smartphones, tablets and automobile infotainment systems. Professional designers use our GPUs to create visual effects in movies and design everything from audio headsets to commercial aircraft. Supercomputers take advantage of the massively parallel processing capabilities of our GPUs to accelerate a wide range of important applications, from simulations of viruses to weather forecasting and global oil exploration.

NVIDIA's research and development in visual computing has yielded approximately 7,000 patent assets, including inventions essential to modern computing.

Our businesses are based on two technologies with a consistent underlying graphics architecture: the GPU and the Tegra processor.

GPUs, each with billions of transistors, are the engines of visual computing and among the world's most complex processors. We have GPU product brands aimed at specific users and applications: GeForce for gamers; Quadro for designers; Tesla for researchers; and GRID for cloud-based graphics.

- In gaming, GPUs enhance the gaming experience on PCs by improving the visual quality of graphics, increasing the frame rate for smoother gameplay and improving realism by replicating the behavior of light and physical objects.

- For designers, GPUs improve productivity and introduce new capabilities. For example, an architect designing a new building in a CAD package can interact with the model in real time, the model can be more detailed, and photo realistic renderings can be generated for the client.

- Researchers can use GPUs to run their simulations faster while consuming less power, increasing the accuracy of weather forecasts, or pricing financial derivatives more quickly.

- GRID uses GPUs to deliver graphics performance remotely, from the cloud. Uses include gaming, professional applications provided as a service (SaaS) and improving Citrix and VMware installations.

The Tegra processor is a SOC integrating an entire computer on a single chip. Tegra processors incorporate GPUs and multi-core CPUs together with audio, video and input/output capabilities. They can also be integrated with baseband processors to add voice and data communication. Our Tegra SOC conserves power while delivering state-of-the-art graphics and multimedia processing.

Tegra runs devices like smartphones, tablets and PCs; it can also be embedded into smart devices, such as televisions, monitors, set-top boxes, gaming devices and cars. SHIELD, our Android gaming device based on Tegra, contains proprietary NVIDIA-developed software and system technologies and leverages our deep partnerships with game developers.

Headquartered in Santa Clara, California, we were incorporated in California in April 1993 and reincorporated in Delaware in April 1998.

Our Businesses

We have two reporting segments - GPU and Tegra Processor - that leverage a single, unified architecture. Our GPU business leverages our GPU technology across multiple end markets. It comprises four primary product lines: GeForce for desktop and notebook PCs; Quadro for professional workstations; Tesla for high-performance servers and workstations; and NVIDIA GRID for server graphics solutions. It also includes other related products, licenses and revenue supporting the GPU business, such as memory products. Our Tegra Processor business comprises product lines primarily based on our Tegra SOC and modem processor technologies including Tegra for smartphones and tablets, including for Windows RT-based devices; automotive computers, including infotainment and navigation systems; and gaming devices such as SHIELD. It also includes other related products, licenses and revenue supporting the Tegra Processor business - such as Icera baseband processors and RF transceivers, embedded products, and license and other revenue associated with game consoles.

In addition to the two reporting segments discussed above, the “All Other” category primarily includes licensing revenue from our patent cross licensing agreement with Intel, which we expect to recognize through March 2017.

Recent Developments, Future Objectives and Challenges

GPU Business

During fiscal year 2014, we announced and shipped our new family of high-end Kepler-based gaming GPUs - GeForce GTX Titan, GeForce GTX 780, GeForce GTX 780 Ti, GeForce GTX 770 and GeForce GTX 760, and introduced G-SYNC technology that enables synchronization between the GPU and the display to help eliminate on-screen lag.

In addition, we extended our Kepler technology further into the workstation market by shipping four new professional graphics products under our Quadro K Series, including our most powerful workstation graphics card - the Quadro K6000. Furthermore, we launched Tesla K40, an accelerator for supercomputing and enterprise data analytics, and partnered with IBM to build supercomputers for the high performance computing community.

For the cloud computing platform, we launched GRID VCA - the industry's first visual computing appliance that enables businesses to deploy cloud-based, GPU-accelerated applications through any Windows, Linux or Mac client on their network. We also announced that VMware Horizon View supports NVIDIA GRID technology and that Citrix’s XenDesktop 7 has fully integrated our GRID vGPU technology to share GPUs across virtual machines. Finally, we announced an IP licensing initiative designed to bring our GPU technology to new markets and generate revenue from markets previously inaccessible to us.

Tegra Processor Business

During fiscal year 2014, we announced our first fully integrated 4G LTE mobile processor - Tegra 4i, and extended our reach in the mobile devices market with the first shipments of Tegra 4 devices - including Xiaomi's Mi3 smartphone in China and Tegra Note, a complete tablet platform. We also launched our next generation mobile system-on-a-chip, Tegra K1, extending the Kepler architecture across the Company’s entire line of processors, displayed Denver, our custom 64-bit ARM core inside Tegra K1, and showed Android running on 64-bit ARM.

In addition, we announced that Audi introduced a new Tegra-powered infotainment system, smart display and digital cockpit and that Audi would use Tegra K1 to power its future piloted-driving initiatives. Finally, we started shipping SHIELD, an open-platform gaming and entertainment portable that enables gamers to play Android games or stream games from a PC with a GeForce processor.

Convertible Notes

On December 2, 2013, we issued $1.5 billion of 1.00% Convertible Senior Notes, or the Notes, due in 2018 and concurrently entered into separate note hedge and warrant transactions and used $14.3 million to repurchase shares of our common stock from purchasers of the Notes in privately negotiated transactions. In addition to using the net proceeds to fund the transaction costs, note hedge and warrant transactions, we further intend to use the proceeds to repurchase of shares of our common stock and pay cash dividends pursuant to our recently announced fiscal year 2015 capital return program, and for general corporate purposes. Please refer to Note 11 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion.

Capital Return to Shareholders

During fiscal year 2014, we repurchased shares worth$887.3 million, paid a total of$181.3 million in dividends and increased our quarterly cash dividend by 13% to $0.085 per share. We have announced our intention to return $1.0 billion to shareholders in fiscal year 2015 in the form of share repurchases and dividends. As part of our capital return program, during February 2014 we entered into an accelerated share repurchase agreement to purchase $500.0 million in shares of our common stock.

Please refer to Note 14 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion.

Critical Accounting Policies and Estimates

Management’s discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, cost of revenue, expenses and related disclosure of contingencies. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, cash equivalents and marketable securities, accounts receivable, inventories, income taxes, goodwill, stock-based compensation, warranty liabilities, litigation, investigation and settlement costs and other contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

We believe the following critical accounting policies affect our significant judgments and estimates used in the preparation of our consolidated financial statements. Our management has discussed the development and selection of these critical accounting policies and estimates with the Audit Committee of our Board of Directors. The Audit Committee has reviewed our disclosures relating to our critical accounting policies and estimates in this Annual Report on Form 10-K.

Revenue Recognition

Product Revenue

We recognize revenue from product sales when persuasive evidence of an arrangement exists, the product has been delivered, the price is fixed or determinable and collection of the related receivable is reasonably assured. For most sales, we use a binding purchase order and in certain cases we use a contractual agreement as evidence of an arrangement. We consider delivery to occur upon shipment provided title and risk of loss have passed to the customer. At the point of sale, we assess whether the arrangement fee is fixed or determinable and whether collection is reasonably assured. If we determine that collection of a fee is not reasonably assured, we defer the fee and recognize revenue at the time collection becomes reasonably assured, which is generally upon receipt of payment.

Our policy on sales to certain distributors with rights of return is to defer recognition of revenue and related cost of revenue until the distributors resell the product, as the level of returns cannot be reasonably estimated.

Our customer programs primarily involve rebates, which are designed to serve as sales incentives to resellers of our products in various target markets. We account for rebates as a reduction of revenue and accrue for 100% of the potential rebates and do not apply a breakage factor. While we have a long history of rebate arrangements with OEMs, we believe we are unable to apply our historical experience to reliably estimate the amount of rebates that will eventually be claimed by individual OEMs. The OEMs are not our direct customers and the quantity and mix of demand they place on CEM/ODMs may shift as we introduce new generations and iterations of products and as we experience changes in new competitor offerings. In addition, we typically find that approximately 95% of the rebates we accrue each year are eventually claimed, which is substantially close to 100%, and that this percentage varies by program and by customer. We recognize a liability for these rebates at the later of the date at which we record the related revenue or the date at which we offer the rebate. Rebates typically expire six months from the date of the original sale, unless we reasonably believe that the customer intends to claim the rebate. Unclaimed rebates are reversed to revenue, the amount of which typically represents approximately 0.5% of total revenue.

Our customer programs also include marketing development funds, or MDFs. MDFs represent monies paid to retailers, system builders, original equipment manufacturers, or OEMs, distributors and add-in card partners that are earmarked for market segment development and expansion and typically are designed to support our partners' activities while also promoting NVIDIA products. Depending on market conditions, we may take actions to increase amounts offered under customer programs, possibly resulting in an incremental reduction of revenue at the time such programs are offered. We account for MDFs as a reduction of revenue and apply a breakage factor to certain types of MDF program accruals for which we believe we can make a reasonable and reliable estimate of the amount that will ultimately be unclaimed. MDF amounts that have been previously recorded against revenue and subsequently expired unclaimed are reversed to revenue. Such amounts have not been significant.

We also record a reduction to revenue by establishing a sales return allowance for estimated product returns at the time revenue is recognized, based primarily on historical return rates. However, if product returns for a particular fiscal period exceed historical return rates we may determine that additional sales return allowances are required to properly reflect our estimated exposure for product returns.

License and Development Revenue

For license arrangements that require significant customization of our intellectual property components, we generally recognize the related revenue over the period that services are performed. For most license and service arrangements, we determine progress to completion based on actual direct labor hours incurred to date as a percentage of the estimated total direct labor hours required to complete the project. We periodically evaluate the actual status of each project to ensure that the estimates to complete each contract remain accurate. A provision for estimated losses on contracts is made in the period in which the loss becomes probable and can be reasonably estimated. Costs incurred in advance of revenue recognized are recorded as deferred costs on uncompleted contracts. If the amount billed exceeds the amount of revenue recognized, the excess amount is recorded as deferred revenue. Revenue recognized in any period is dependent on our progress toward completion of projects in progress. Significant management judgment and discretion are used to estimate total direct labor hours. Any changes in or deviations from these estimates could have a material effect on the amount of revenue we recognize in any period.

For license arrangements that do not require significant customization but where we are obligated to provide further deliverables over the term of the license agreement, we record revenue over the life of the license term, with consideration received in advance of the performance period classified as deferred revenue.

Royalty revenue is recognized related to the distribution or sale of products that use our technologies under license agreements with third parties. We recognize royalty revenue upon receipt of a confirmation of earned royalties and when collectability is reasonably assured from the applicable licensee.

Accounts Receivable

We maintain an allowance for doubtful accounts receivable for estimated losses resulting from the inability of our customers to make required payments. Management determines this allowance, which consists of an amount identified for specific customer issues as well as an amount based on overall estimated exposure. Our accounts receivable are highly concentrated and make us vulnerable to adverse changes in our customers businesses, and to downturns in the industry and the worldwide economy. Our overall estimated exposure excludes significant amounts that are covered by credit insurance and letters of credit. If the financial condition of our customers, the financial institutions providing letters of credit, or our credit insurance carrier were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required that could adversely affect our operating results. Furthermore, there can be no assurance that we will be able to continue to obtain credit insurance in the future.

As of January 26, 2014, our allowance for doubtful accounts receivable was $0.8 million and our gross accounts receivable balance was $443.5 million. Of the $443.5 million, $84.1 million was covered by credit insurance and $23.1 million was covered by letters of credit. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required and we may have to record additional reserves or write-offs on certain sales transactions in the future. Factors impacting the allowance include the level of gross receivables, the financial condition of our customers and the extent to which balances are covered by credit insurance or letters of credit. The amount of our cumulative bad debt charges over the last three fiscal years has not been significant. As a result of our low bad debt experience, our allowance for doubtful accounts receivable has ranged between 0.1% and 0.4% during fiscal years 2014 and 2013. As of January 26, 2014, our allowance for doubtful accounts receivable represented 0.2% of our gross accounts receivable balance.

Inventories

Inventory cost is computed on an adjusted standard basis, which approximates actual cost on an average or first-in, first-out basis. Inventory costs consist primarily of the cost of semiconductors purchased from subcontractors, including wafer fabrication, assembly, testing and packaging, manufacturing support costs, including labor and overhead associated with such purchases, final test yield fallout, and shipping costs, as well as the cost of purchased memory products and other component parts. We charge cost of sales for inventory provisions to write down our inventory to the lower of cost or estimated market value or to completely write off obsolete or excess inventory. Most of our inventory provisions relate to the write-off of excess quantities of products, based on our inventory levels and future product purchase commitments compared to assumptions about future demand and market conditions. Once inventory has been written-off or written-down, it creates a new cost basis for the inventory that is not subsequently written-up.

Situations that may result in excess or obsolete inventory include changes in business and economic conditions, changes in consumer confidence caused by changes in market conditions, sudden and significant decreases in demand for our products, inventory obsolescence because of rapidly changing technology and customer requirements, failure to estimate customer demand properly for older products as newer products are introduced, or unexpected competitive pricing actions by our competition. In addition, cancellation or deferral of customer purchase orders could result in our holding excess inventory. Also, because we often sell a substantial portion of our products in the last month of each quarter, we may not be able to reduce our inventory purchase commitments in a timely manner in response to customer cancellations or deferrals.

Charges to cost of sales for inventory provisions totaled $50.1 million, $89.9 million and $53.0 million, unfavorably impacting our gross margin by 1.2%, 2.1% and 1.3%, in fiscal years 2014, 2013 and 2012, respectively. Sales of inventory that was previously written-off or written-down totaled $43.4 million, $53.7 million and $71.1 million, favorably impacting our gross margin by 1.1%, 1.3% and 1.8% in fiscal years 2014, 2013 and 2012, respectively. As a result, the overall net effect on our gross margin from charges to cost of sales for inventory provisions and sales of items previously written-off or written-down was a 0.1% unfavorable impact in fiscal year 2014, a 0.8% unfavorable impact in fiscal year 2013 and a 0.5% favorable impact in fiscal year 2012.

During fiscal years 2014, 2013 and 2012, the charges we took to cost of sales for inventory provisions were primarily related to the write-off of excess quantities of certain older generations of GPU and Tegra Processor products whose inventory levels were higher than our updated forecasts of future demand for those products. As a fabless semiconductor company, we must make commitments to purchase inventory based on forecasts of future customer demand. In doing so, we must account for our third-party manufacturers' lead times and constraints. We also adjust to other market factors, such as product offerings and pricing actions by our competitors, new product transitions, and macroeconomic conditions - all of which may impact demand for our products.

Please refer to the Gross Profit and Gross Margin discussion below in this Management's Discussion and Analysis for further discussion.

Warranty Liabilities

Cost of revenue includes the estimated cost of product warranties that are calculated at the point of revenue recognition. Under limited circumstances, we may offer an extended limited warranty to customers for certain products. Our products are complex and may contain defects or experience failures due to any number of issues in design, fabrication, packaging, materials and/or use within a system. If any of our products or technologies contains a defect, compatibility issue or other error, we may have to invest additional research and development efforts to find and correct the issue. In addition, an error or defect in new products or releases or related software drivers after commencement of commercial shipments could result in failure to achieve market acceptance or loss of design wins. Also, we may be required to reimburse customers, including our customers' costs to repair or replace products in the field.

Income Taxes

We recognize federal, state and foreign current tax liabilities or assets based on our estimate of taxes payable or refundable in the current fiscal year by tax jurisdiction. We recognize federal, state and foreign deferred tax assets or liabilities, as appropriate, for our estimate of future tax effects attributable to temporary differences and carryforwards; and we record a valuation allowance to reduce any deferred tax assets by the amount of any tax benefits that, based on available evidence and judgment, are not expected to be realized.

United States income tax has not been provided on a portion of earnings of our non-U.S. subsidiaries to the extent that such earnings are considered to be indefinitely reinvested.

Our calculation of current and deferred tax assets and liabilities is based on certain estimates and judgments and involves dealing with uncertainties in the application of complex tax laws. Our estimates of current and deferred tax assets and liabilities may change based, in part, on added certainty or finality to an anticipated outcome, changes in accounting standards or tax laws in the United States, or foreign jurisdictions where we operate, or changes in other facts or circumstances. In addition, we recognize liabilities for potential United States and foreign income tax contingencies based on our estimate of whether, and the extent to which, additional taxes may be due. If we determine that payment of these amounts is unnecessary or if the recorded tax liability is less than our current assessment, we may be required to recognize an income tax benefit or additional income tax expense in our financial statements, accordingly.

As of January 26, 2014, we had a valuation allowance of $244.5 million related to state and certain foreign deferred tax assets that management determined are not likely to be realized due, in part, to projections of future taxable income and potential utilization limitations of tax attributes acquired as a result of stock ownership changes. To the extent realization of the deferred tax assets becomes more-likely-than-not, we would recognize such deferred tax asset as an income tax benefit during the period.

Our deferred tax assets do not include the excess tax benefit related to stock-based compensation that are a component of our federal and state net operating loss and research tax credit carryforwards in the amount of $427.9 million as of January 26, 2014. Consistent with prior years, the excess tax benefit reflected in our net operating loss and research tax credit carryforwards will be accounted for as a credit to stockholders' equity, if and when realized. In determining if and when excess tax benefits have been realized, we have elected to utilize the with-and-without approach with respect to such excess tax benefits. We have also elected to ignore the indirect tax effects of stock-based compensation deductions for financial and accounting reporting purposes, and specifically to recognize the full effect of the research tax credit in income from operations.

We recognize the benefit from a tax position only if it is more-likely-than-not that the position would be sustained upon audit based solely on the technical merits of the tax position. Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense. Please refer to Note 13 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

Goodwill

Goodwill is subject to our annual impairment test during the fourth quarter of our fiscal year, or earlier if indicators of potential impairment exist, using either a qualitative or a quantitative assessment. Our impairment review process compares the fair value of the reporting unit in which the goodwill resides to its carrying value. We have identified three reporting units, GPU, Professional Solutions and Tegra Processor, for the purposes of completing our goodwill analysis. Goodwill assigned to these reporting units as of January 26, 2014 was \$135.3 million, \$95.1 million and \$412.8 million, respectively. Determining the number of reporting units and the fair value of a reporting unit requires us to make judgments and involves the use of significant estimates and assumptions. We also make judgments and assumptions in allocating assets and liabilities to each of our reporting units. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain.

Both a qualitative and quantitative approach are applicable accounting standards for the assessment of goodwill impairment. With the qualitative approach to testing goodwill for impairment, we perform an analysis evaluating factors including, but not limited to, macro-economic conditions, market and industry conditions, the competitive environment, the operational stability and overall financial performance of the reporting units, including cost factors and actual revenue results. For reporting units in which the qualitative assessment concludes it is more likely than not that the fair value is more than its carrying value, no further goodwill impairment testing is required.

For those reporting units where a significant change or event has occurred, where potential impairment indicators exist, or for which we have not performed a quantitative assessment recently, we utilize a two-step quantitative assessment to testing goodwill for impairment. The first step tests for possible impairment by applying a fair value-based test. The second step, if necessary, measures the amount of such impairment by applying fair value-based tests to individual assets and liabilities. We estimated the fair value of reporting units by weighing the results from the income approach and the market approach. These valuation approaches consider a number of factors that include, but are not limited to, prospective financial information, growth rates, terminal or residual values, discount rates and comparable multiples from publicly traded companies in our industry and require us to make certain assumptions and estimates regarding industry economic factors and the future profitability of our business.

When performing an income approach valuation, we incorporate the use of projected financial information and a discount rate that are developed using market participant based assumptions to our discounted cash flow model. Our estimates of discounted cash flow were based upon, among other things, certain assumptions about our expected future operating performance, such as revenue growth rates, operating margins, risk-adjusted discount rates, and future economic and market conditions. Our estimates may differ from actual cash flow due to, among other things, economic conditions, changes to our business model or changes in operating performance. Additionally, certain estimates of discounted cash flow involve businesses with limited financial history and developing revenue models, which increases the risk of differences between the projected and actual performance. The long-term financial forecasts that we utilize represent the best estimate that we have at this time and we believe that its underlying assumptions are reasonable. Significant differences between our estimates and actual cash flow could materially affect our future financial results, which could impact our future estimates of the fair value of our reporting unit.

During the fourth quarter of fiscal year 2014, we utilized a quantitative assessment to test goodwill impairment for all three reporting units and concluded that there was no impairment, as the fair value of our GPU and Professional Solutions reporting units significantly exceeded their carrying values and the fair value of our Tegra Processor reporting unit exceeded its carrying value by 17%. As such, even if we applied a hypothetical 10% decrease to the fair value of each reporting unit, it still would not have resulted in the fair value of our reporting units being less than their carrying values. As an overall test of the reasonableness of estimated fair values of reporting units, we reconciled the combined fair value estimates of our reporting units to our market capitalization as of the valuation date of October 27, 2013. The reconciliation confirmed that the fair values were relatively representative of the market views when applying a reasonable control premium to the market capitalization. However, any significant reductions in the actual amount of future cash flows realized by our reporting units, reductions in the value of market comparables, or reductions in our market capitalization could impact future estimates of the fair values of our reporting units. Such events could ultimately result in a charge to our earnings in future periods due to the potential for a write-down of the goodwill associated with our reporting units.

In particular, the fair value of our Tegra reporting unit exceeded its carrying value by approximately 17%. The fair value of this reporting unit was assessed using a combination of income and market approaches. The underlying assumptions we used in assessing the fair value of the Tegra reporting unit include, but are not limited to, assumptions around future revenue growth rates, gross margins, operating expense investment levels, overall market growth rates, our market share of the overall market, and the appropriate discount rates to apply to future cash flows. If the actual future results of the Tegra reporting unit do not achieve the levels we estimated in assessing its fair value, the fair value of the Tegra reporting unit could decline. A future decline in the fair value of the Tegra reporting unit could result a charge to our earnings as a result of a write-down of the value of the goodwill associated with that reporting unit.

Our next annual evaluation of the goodwill by reporting unit will be performed during the fourth quarter of fiscal year 2015, or earlier if indicators of potential impairment exist. Such indicators include, but are not limited to, challenging economic conditions, such as a decline in our operating results, an unfavorable industry or macroeconomic environment, a substantial decline in our stock price, or any other adverse change in market conditions. Such conditions could have the effect of changing one of the critical assumptions or estimates we use to calculate the fair value of our reporting units, which could result in a decrease in fair value and require us to record goodwill impairment charges.

Cash Equivalents and Marketable Securities

Cash equivalents consist of financial instruments which are readily convertible into cash and have original maturities of three months or less at the time of acquisition. Marketable securities consist primarily of highly liquid investments with maturities of greater than three months when purchased. We generally classify our marketable securities at the date of acquisition as available- for- sale. These securities are reported at fair value with the related unrealized gains and losses included in accumulated other comprehensive income (loss), a component of stockholder's equity, net of tax. Any unrealized losses which are considered to be other-than-temporary impairments are recorded in the other income (expense) section of our consolidated statements of operations. Realized gains (losses) on the sale of marketable securities are determined using the specific-identification method and recorded in the other income (expense) section of our consolidated statements of operations. Please refer to Note 7 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K. We measure our cash equivalents and marketable securities at fair value. The fair values of our financial assets and liabilities are determined using quoted market prices of identical assets or quoted market prices of similar assets from active markets. Our Level 1 assets consist of our money market funds. We classify securities within Level 1 assets when the fair value is obtained from real time quotes for transactions in active exchange markets involving identical assets. Our available-for- sale securities are classified as having Level 2 inputs. Our Level 2 assets are valued utilizing a market approach where the market prices of similar assets are provided by a variety of independent industry standard data providers to our investment custodian. Most of our cash equivalents and marketable securities are valued based on Level 2 inputs. We do not have any investments classified as Level 3 as of January 26, 2014.

All of our available-for-sale investments are subject to a periodic impairment review. We record a charge to earnings when a decline in fair value is significantly below cost basis and judged to be other-than-temporary, or have other indicators of impairments. If the fair value of an available-for-sale debt instrument is less than its amortized cost basis, an other-than - temporary impairment is triggered in circumstances where (1) we intend to sell the instrument, (2) it is more likely than not that we will be required to sell the instrument before recovery of its amortized cost basis, or (3) a credit loss exists where we do not expect to recover the entire amortized cost basis of the instrument. If we intend to sell or it is more likely than not that we will be required to sell the available-for-sale debt instrument before recovery of its amortized cost basis, we recognize an other-than- temporary impairment in earnings equal to the entire difference between the debt instruments' amortized cost basis and its fair value. For available-for-sale debt instruments that are considered other-than-temporarily impaired due to the existence of a credit loss, if we do not intend to sell and it is more likely than not that we will be required to sell the instrument before recovery of its remaining amortized cost basis (amortized cost basis less any current-period credit loss), we separate the amount of the impairment into the amount that is credit related and the amount due to all other factors. The credit loss component is recognized in earnings.

Stock-based Compensation

We measure stock-based compensation expense based on the estimated fair value of equity awards at the grant date, and recognize the expense using a straight-line attribution method over the requisite employee service period. We estimate the fair value of employee stock options on the date of grant using a binomial model. We use the closing trading price of our common stock on the date of grant, minus a dividend yield discount, as the fair value of awards of restricted stock units, or RSUs. The fair value of our employee stock purchase plan is calculated using the Black-Scholes model. Our stock-based compensation for employee stock purchase plan is expensed using an accelerated amortization model.

We determine the fair value of stock option awards on the date of grant using an option-pricing model that is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, weighted average expected term, risk-free interest rate, expected stock price volatility, dividend yield, actual and projected employee stock option exercise behaviors, vesting schedules and death and disability probabilities We also segregate options into groups of employees with relatively homogeneous exercise behavior in order to calculate the best estimate of fair value using the binomial valuation model.

The expected life of employee stock options is a derived output of our valuation model and is impacted by the underlying assumptions of our company. The risk-free interest rate assumption is based upon observed interest rates on Treasury bills appropriate for the term of our employee stock options. Our management has determined that the use of implied volatility is expected to be more reflective of market conditions and, therefore, can reasonably be expected to be a better indicator of our expected volatility than historical volatility. Dividend yield is based on history and expectation of dividend payouts.

Our RSU awards are not eligible for cash dividends prior to vesting; therefore, the fair value of RSUs is discounted by the dividend yield. Additionally, for employee stock option and RSU awards, we estimate forfeitures annually and revise the estimates of forfeiture in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are estimated based on historical experience. If factors change and we employ different assumptions in the application of accounting standards in future periods, the compensation expense that we record under these accounting standards may differ significantly from what we have recorded in the current period.

Using the binomial model, we estimated the fair value of the stock options granted under our stock option plans using the following assumptions during fiscal year 2014:

Weighted average expected life (in years)	2.4-3.5
Risk-free interest rate	1.8%-3.0%
Volatility	28%-37%
Dividend yield	1.9%-2.4%

We used the Black-Scholes model to estimate the fair value of shares issued under our ESPP during fiscal year 2014, using the following assumptions:

Weighted average expected life (in years)	0.5-2.0
Risk-free interest rate	0.1%-0.4%
Volatility	32%-37%
Dividend yield	2.0%-2.4%

Litigation, Investigation and Settlement Costs

From time to time, we are involved in legal actions and/or investigations by regulatory bodies. We are aggressively defending our current litigation matters. However, there are many uncertainties associated with any litigation or investigations, and we cannot be certain that these actions or other third-party claims against us will be resolved without costly litigation, fines and/or substantial settlement payments. If that occurs, our business, financial condition and results of operations could be materially and adversely affected. If information becomes available that causes us to determine that a loss in any of our pending litigation, investigations or settlements is probable, and we can reasonably estimate the loss associated with such events, we will record the loss in accordance with U.S. GAAP. However, the actual liability in any such litigation or investigation may be materially different from our estimates, which could require us to record additional costs.

Results of Operations

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

	Year Ended		
	January 26, 2014	January 27, 2013	January 29, 2012
Revenue	100.0%	100.0%	100.0%
Cost of revenue	45.1	48.0	48.6
Gross profit	54.9	52.0	51.4
Operating expenses:			
Research and development	32.3	26.8	25.1
Sales, general and administrative	10.5	10.1	10.1
Total operating expenses	42.8	36.9	35.2
Income from operations	12.1	15.1	16.2
Interest income	0.4	0.5	0.5
Interest expense	(0.3)	(0.1)	(0.1)
Other income (expense), net	0.2	(0.1)	—
Income before income taxes	12.4	15.4	16.6
Income tax expense	1.7	2.3	2.1
Net income	10.7%	13.1%	14.5%

Fiscal Years Ended January 26, 2014, January 27, 2013, and January 29, 2012

Revenue

Fiscal Year 2014 vs. Fiscal Year 2013

Revenue was $4.13 billion for fiscal year 2014 and $4.28 billion for fiscal year 2013, a decrease of 4%. A discussion of our revenue results for each of our reporting segments and the other category is as follows:

GPU Business. GPU business revenue for fiscal year 2014 increased by 7% to $3.47 billion when compared to $3.25 billion for fiscal year 2013. This growth was largely attributable to strength in our high-end GeForce GTX GPUs which grew 18% driven by gaming market segment demand. The GPU business also benefited from a 37% increase in Tesla high-performance computing revenue and a 10% increase in Quadro workstation revenue in fiscal year 2014. Offsetting these growth areas were declines in the overall market for desktop PCs and notebooks, which contributed to lower unit volumes of our mainstream GeForce GPUs.

Tegra Processor Business. Tegra Processor business revenue decreased by 48% to $398.0 million for fiscal year 2014 as compared to $764.4 million for fiscal year 2013. This decrease was primarily due to lower sales of our previous generation Tegra 3-based products for smartphones and tablet devices. Additionally, sales of our embedded products for entertainment devices and revenue from license fees related to game consoles also decreased during fiscal year 2014. These decreases were partially offset by the sales of Tegra 4-based products for smartphones and tablet devices as well as infotainment systems for automobiles.

All Other. License revenue from the patent cross licensing arrangement we entered into with Intel in January 2011 was flat at $264.0 million between fiscal years 2014 and 2013.

Fiscal Year 2013 vs. Fiscal Year 2012

Revenue was $4.28 billion for fiscal year 2013 and $4.00 billion for fiscal year 2012, an increase of 7%. A discussion of our revenue results for each of our reporting segments and the other category is as follows:

GPU Business. GPU business revenue of $3.25 billion for fiscal year 2013 increased by 2% compared to $3.19 billion for fiscal year 2012. This growth was largely attributable to the introduction of GPUs based on our Kepler architecture in fiscal year 2013. GeForce notebook revenues increased on the strength of Kepler-based design wins on the Ivy Bridge platform. Strong demand for Kepler-based GeForce desktop GPU products also contributed to the increase in GPU business revenues. The GPU business also benefited from a greater than 36% increase in Tesla revenue in fiscal year 2013. Offsetting these increases were a decrease in Quadro revenue, which we believe was due primarily to general weakness in Western Europe, and a continued decline in sales of our MCP products as we continued to phase out our chipset product line.

*Tegra Processor Busines*s. Tegra Processor business revenue increased by 29% to $764.4 million for fiscal year 2013 as compared to $591.2 million for fiscal year 2012. This increase was primarily due to higher sales of our Tegra 3-based smartphones and tablet devices as we transitioned from the previous generation Tegra 2-based products and introduced our Tegra-3 based processors in Windows RT-based tablet devices. Additionally, revenues for our embedded products for entertainment and automotive devices also increased during fiscal year 2013. Offsetting these increases was a decrease in revenue from license fees and other revenue related to game consoles.

All Other. The increase in revenue is also due to revenue from the patent cross licensing arrangement we entered into with Intel in January 2011. We recognized $264.0 million in related licensing revenue during the entire twelve months of fiscal year 2013, while fiscal year 2012 only included $220.0 million in related revenue - reflecting only ten months of the corresponding revenue.

Concentration of Revenue

We generated 75%, 74% and 78% of our total revenue for fiscal years2014, 2013 and 2012, respectively, from sales to customers outside the United States and other Americas. Revenue by geographic region is allocated to individual countries based on the location to which the products are initially billed even if the foreign contract equipment manufacturers, add-in board and motherboard manufacturers' revenue is attributable to end customers in a different location.

Revenue from significant customers, those representing 10% or more of total revenue for the respective dates, is summarized as follows:

	Year Ended		
	January 26, 2014	**January 27, 2013**	**January 29, 2012**
Revenue:			
Customer A	11%	13%	11%
Customer B	10%	9%	7%

Gross Profit and Gross Margin

Gross profit consists of total revenue, net of allowances, less cost of revenue. Cost of revenue consists primarily of the cost of semiconductors purchased from subcontractors, including wafer fabrication, assembly, testing and packaging, manufacturing support costs, including labor and overhead associated with such purchases, final test yield fallout, inventory and warranty provisions and shipping costs. Cost of revenue also includes development costs for license, service arrangements and stock-based compensation related to personnel associated with manufacturing.

Gross margin is the percentage of gross profit to revenue. Our gross margin was 54.9%, 52.0% and 51.4% for fiscal years 2014, 2013 and 2012, respectively. Our gross margin is significantly impacted by the mix of products we sell and can vary in any period depending on that product mix.

A discussion of our gross margin results for each of our reporting segments is as follows:

Fiscal Year 2014 vs. Fiscal Year 2013

Our gross margin increased to 54.9% in fiscal year 2014 from 52.0% in fiscal year 2013. The improvement in gross margin was driven primarily by a combination of increased unit sales and a richer product mix of our high-end GeForce GTX GPU, Tesla high performance computing, and Quadro professional workstation products. The lower sales unit volumes of our lower margin mainstream GPUs and Tegra processors also contributed to the gross margin increase. Gross margin also improved due to the favorable impact of lower net inventory provisions in fiscal year 2014 compared to fiscal year 2013.

Charges to cost of sales for inventory provisions totaled $50.1 million and $89.9 million for fiscal years 2014 and 2013, unfavorably impacting our gross margin by 1.2% and 2.1%, respectively. Sales of inventory that was previously written-off or written-down totaled $43.4 million and $53.7 million for fiscal years 2014 and 2013, favorably impacting our gross margin by 1.1% and 1.3%, respectively. As a result, the overall net effect on our gross margin from inventory provisions and sales of items previously written down was an unfavorable impact of 0.1% and 0.8% in fiscal years 2014 and 2013, respectively.

GPU Business. The gross margin of our GPU business increased during fiscal year 2014 when compared to fiscal year 2013. This was primarily due to a combination of increased unit sales and a richer product mix of our high-end GeForce GTX GPU, Tesla high performance computing, and Quadro professional workstation products. Lower inventory provisions for excess inventory in fiscal year 2014 also contributed to the increase in gross margin.

Tegra Processor Business. The gross margin of our Tegra Processor business decreased during fiscal year 2014 when compared to fiscal year 2013. This decrease was driven primarily by a combination of an overall decline in margins of our Tegra products and a less rich mix between tablet products, which have had higher gross margins, and smartphone and automotive module products, which have had comparably lower gross margins.

Fiscal Year 2013 vs. Fiscal Year 2012

Our gross margin increased to 52.0% in fiscal year 2013 from 51.4% in fiscal year 2012. The improvement in gross margin was driven primarily by increased unit sales and a richer product mix of our high-end GeForce desktop products, plus Tesla and Quadro products. The addition of a full year of revenue from the patent cross licensing arrangement with Intel compared to ten months of such corresponding revenue in fiscal year 2012 also contributed to the improvement in gross margin. Offsetting these were the unfavorable impact of higher net provisions for inventory in fiscal year 2013 when compared to fiscal year 2012.

Charges to cost of sales for inventory provisions totaled $89.9 million and $53.0 million for fiscal years 2013 and 2012, unfavorably impacting our gross margin by 2.1% and 1.3%, respectively. Sales of inventory that was previously written-off or written down totaled $53.7 million and $71.1 million for fiscal years 2013 and 2012, favorably impacting our gross margin by 1.3% and 1.8%, respectively. As a result, the overall net effect on our gross margin from inventory provisions and sales of items previously written down was a 0.8% unfavorable impact in fiscal year 2013 and a 0.5% favorable impact in fiscal year 2012.

GPU Business. The gross margin of our GPU business increased during fiscal year 2013 when compared to fiscal year 2012. This was primarily due to a richer product mix of our Kepler-based high-end 28 nanometer GeForce desktop products and our Quadro products. Memory margins strengthened on improved market pricing. These favorable contributors to gross margin were primarily offset by higher net inventory provisions in fiscal year 2013 compared to fiscal year 2012.

Tegra Processor Business. The gross margin of our Tegra Processor business decreased slightly during fiscal year 2013 as compared to fiscal year 2012. This decrease was the result of a change in product mix driven by a lower mix of revenue from areas such as license fees and other revenues related to game consoles, which typically have higher gross margins than our Tegra products, offset by a higher mix of revenue from sales of our Tegra products, which grew substantially during the year.

Operating Expenses

	Year Ended				Year Ended			
	January 26, 2014	**January 27, 2013**	**$ Change**	**% Change**	**January 27, 2013**	**January 29, 2012**	**$ Change**	**% Change**
	(In millions)				(In millions)			
Research and development expenses	$ 1,335.8	$ 1,147.3	$ 188.5	16.4%	$ 1,147.3	$ 1,002.6	$ 144.7	14.4%
Sales, general and administrative expenses	435.7	430.8	4.9	1.1%	430.8	405.6	25.2	6.2%
Total operating expenses	$ 1,771.5	$ 1,578.1	$ 193.4	12.3%	$ 1,578.1	$ 1,408.2	$ 169.9	12.1%
Research and development as a percentage of net revenue	32.3%	26.8%			26.8%	25.1%		
Sales, general and administrative as a percentage of net revenue	10.5%	10.1%			10.1%	10.1%		

Research and Development

Fiscal Year 2014 vs. Fiscal Year 2013

Research and development expenses increased by $188.5 million, or 16%, year over year. This increase was primarily due to a $101.9 million increase in compensation and benefits expense due to increased hiring of engineering talent. The growth in engineering employees also drove an increase in facilities and IT support expense of $34.6 million, purchases of computer and software supplies of $14.1 million and depreciation and amortization of $11.0 million. In addition, engineering development expenses increased by $23.2 million, primarily related to the ramp up of our next generation Tegra products.

Fiscal Year 2013 vs. Fiscal Year 2012

Research and development expenses increased by $144.7 million, or 14%, year over year. This increase was primarily due to a $99.4 million increase in compensation and benefits expense as we continue to hire engineering talent to invest in our business. Depreciation and amortization increased by $9.8 million, driven primarily by amortization of intangible assets associated with our acquisition of Icera in fiscal year 2012, as well as purchases of additional hardware and licenses during the year. Engineering development expenses increased by $6.8 million related to the ramp of our next-generation GPU architecture, Kepler, designed for 28nm technology and our next generation Tegra processor architecture, Tegra 4.

Sales, General and Administrative

Fiscal Year 2014 vs. Fiscal Year 2013

Sales, general and administrative expenses increased by $4.9 million, or 1%, year over year. This increase was primarily due to a $37.9 million increase in compensation and benefits expense due to increased hiring. Offsetting this increase were the absence of both a $20.1 million charge for a charitable contribution and a charge of $3.1 million for a class action settlement that we recorded in the prior fiscal year.

Fiscal Year 2013 vs. Fiscal Year 2012

Sales, general and administrative expenses increased by $25.2 million, or 6%, year over year. This increase was primarily due to a $21.6 million increase in compensation and benefits expense as we continue to invest in our business. Also contributing to the increase was a $20.1 million expense for the net present value of a charitable contribution that we recorded in the second quarter of fiscal year 2013. Offsetting these increases were decreases in outside professional fees of $10.4 million due to an overall decrease in professional services costs during fiscal year 2013 compared with fiscal year 2012 due to a general decline in litigation-related costs and the absence of services associated with acquisition activity in fiscal year 2013.

Interest Income and Interest Expense

Interest income consists of interest earned on cash, cash equivalents and marketable securities. Interest expense is primarily comprised of coupon interest and debt discount amortization related to the convertible notes issued in the fourth quarter of fiscal year 2014.

Interest income was $17.1 million, $19.9 million and $19.1 million in fiscal years 2014, 2013 and 2012, respectively. The decrease in fiscal year 2014 from the prior year was primarily due to the result of lower average cash balances as we liquidated a portion of our investment portfolio to fund an accelerated share repurchase transaction during the second quarter of fiscal year 2014.

Interest expense was $10.4 million, $3.3 million, and $3.1 million in fiscal years 2014, 2013 and 2012, respectively. The increase from prior year is attributable to $2.5 million for coupon interest and $4.6 million for debt discount amortization related to the convertible notes. We expect to incur annual coupon interest expense of $15.0 million, and annual debt discount amortization of $28.0 million, for fiscal year 2015.

Other Income and Expense

Other income and expense primarily consists of realized gains and losses from the sale of marketable securities, sale of investment in non-affiliated companies, and the impact of changes in foreign currency rates. Net other income (expense) was $7.4 million, $(2.8) million and $(1.0) million in fiscal years 2014, 2013 and 2012, respectively. The increase in other income for fiscal year 2014 was primarily due to an increase in gains from foreign currency remeasurements and a gain of $3.1 million from sale of a non-affiliated investment.

Income Taxes

We recognized income tax expense of $70.3 million, $99.5 million and $82.3 million during fiscal years 2014, 2013 and 2012, respectively. Income tax expense as a percentage of income before taxes, or our annual effective tax rate, was 13.8%, 15.0%, and 12.4% in fiscal years 2014, 2013 and 2012, respectively.

Our effective tax rate on income or loss before tax for the fiscal years was lower than the United States federal statutory rate of 35% due to income or loss earned in jurisdictions, including British Virgin Islands, Hong Kong, China, Taiwan and United Kingdom, where the tax rate is lower than the United States federal statutory tax rate of 35%, favorable recognition in these fiscal years of the U.S. federal R&D tax credit and release of tax reserves as a result of the expiration of statutes of limitations in certain non-U.S. jurisdictions for which we had not previously recognized related tax benefits.

Please refer to Note 13 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

Liquidity and Capital Resources

	January 26, 2014	January 27, 2013
	(In millions)	
Cash and cash equivalents	$ 1,151.6	$ 732.8
Marketable securities	3,520.2	2,995.1
Cash, cash equivalents, and marketable securities	$ 4,671.8	$ 3,727.9

	Year Ended		
	January 26, 2014	January 27, 2013	January 29, 2012
		(In millions)	
Net cash provided by operating activities	$ 835.1	$ 824.2	$ 909.2
Net cash used in investing activities	$ (805.9)	$ (744.0)	$ (1,143.4)
Net cash (used in) provided by financing activities	$ 389.6	$ (15.3)	$ 236.7

As of January 26, 2014, we had $4.67 billion in cash, cash equivalents and marketable securities, an increase of$943.9 million from the end of fiscal year2013. Our portfolio of cash equivalents and marketable securities is managed on our behalf by several financial institutions which are required to follow our investment policy, which requires the purchase of high grade investment securities, the diversification of asset types and includes certain limits on our portfolio duration.

Operating activities

Operating activities consist primarily of net income or loss for the fiscal period, offset by the impact of non-cash expenses such as stock-based compensation and depreciation and amortization expense, and changes in operating assets and liabilities such as accounts receivable and inventories.

Cash provided by operating activities increased slightly in fiscal year 2014 compared to fiscal year 2013 primarily due to favorable changes in operating assets offset by a decrease in net income. The favorable change in operating assets was driven mainly by a combination of a decrease in accounts receivable, resulting from strong collections and linear monthly shipments in the fourth quarter of fiscal year 2014, and a decrease in inventories.

Cash provided by operating activities decreased in fiscal year 2013 compared to fiscal year 2012 primarily due to a decrease in net income and unfavorable changes in operating assets compared to fiscal year 2012. For example, accounts receivable increased primarily due to higher sales in the fourth quarter of fiscal year 2013 compared to the fourth quarter of fiscal year 2012 and inventory increased as a result of the production ramp of Kepler-based GPU products.

Investing activities

Investing activities consist primarily of purchases, sales and maturities of marketable securities, acquisitions of businesses and purchases of property and equipment, including leasehold improvements for our facilities and intangible assets.

Cash used in investing activities for fiscal year 2014 increased from fiscal year 2013 driven primarily by capital expenditures in fiscal year 2014 for new technology licenses and leasehold improvements at our facilities in various locations.

Cash used in investing activities for fiscal year 2013 decreased from fiscal year 2012 due primarily to the acquisition of Icera in fiscal year 2012. We used $183.3 million towards capital expenditures in fiscal year 2013 mainly for the purchase of new research and development equipment, testing equipment to support our increased production requirements, technology licenses, software, intangible assets and leasehold improvements at our facilities in various locations.

Financing activities

Financing activities consist primarily of borrowing activities, such as convertible debt issuances or capital leases, and equity-related activities such as stock repurchases and dividend payments.

Cash provided by financing activities increased in fiscal year 2014 due primarily to the net proceeds of $1.48 billion we received from the convertible note offering that was completed during the fourth quarter of fiscal year 2014 as well as cash proceeds of $70.2 million from common stock issued under our employee stock plans. Concurrent with the convertible note offering, we used net proceeds of $108 million to fund the related note hedge and warrant transactions. During fiscal year 2014, we also used $887.3 million to repurchase shares of our common stock and paid $181.3 million of cash dividends to shareholders.

Cash used in financing activities in fiscal year 2013 was due primarily to our repurchase of $100.0 million of shares of our common stock and our first quarterly cash dividend payment of $46.9 million. These uses of cash were offset by cash proceeds of $64.9 million from common stock issued under our employee stock plans and a non-cash tax benefit of $68.7 million related to employee stock-based compensation.

Liquidity

Our primary source of liquidity is cash generated by our operations. Our investment portfolio consisted of cash and cash equivalents, commercial paper, mortgage-backed securities issued by government-sponsored enterprises, money market funds and debt securities of corporations, municipalities and the United States government and its agencies. These investments are denominated in United States dollars. As of January 26, 2014, we did not have any investments in auction-rate preferred securities.

All of the cash equivalents and marketable securities are treated as "available-for-sale". Investments in both fixed and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate debt securities may have their market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates or if the decline in fair value of our publicly traded debt or equity investments is judged to be other-than-temporary. We may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. However, because any debt securities we hold are classified as "available-for-sale," no gains or losses are realized in our statement of income due to changes in interest rates unless such securities are sold prior to maturity or unless declines in market values are determined to be other-than-temporary. These securities are reported at fair value with the related unrealized gains and losses included in accumulated other comprehensive income, a component of stockholders' equity, net of tax.

As of January 26, 2014 and January 27, 2013, we had $4.67 billion and $3.73 billion, respectively, in cash, cash equivalents and marketable securities. Our investment policy requires the purchase of high grade investment securities, the diversification of asset types and includes certain limits on our portfolio duration, as specified in our investment policy guidelines. These guidelines also limit the amount of credit exposure to any one issue, issuer or type of instrument. As of January 26, 2014, we were in compliance with our investment policy. As of January 26, 2014, our investments in U.S. government agencies and U.S. government sponsored enterprises represented approximately 42% of our total investment portfolio, while the financial sector accounted for approximately 27% of our total investment portfolio. Substantially all of our investments are with A/A3 or better rated securities.

We performed an impairment review of our investment portfolio as of January 26, 2014. Based on our quarterly impairment review, we concluded that our investments were appropriately valued and did not record any impairment during fiscal year 2014.

Net realized gains were $2.4 million, $0.5 million and $0.4 million for fiscal years 2014, 2013 and 2012, respectively. As of January 26, 2014, we had a net unrealized gain of $4.8 million, which was comprised of gross unrealized gains of $7.2 million, offset by $2.4 million of gross unrealized losses. As of January 27, 2013, we had a net unrealized gain of $10.9 million, which was comprised of gross unrealized gains of $11.7 million, offset by $0.8 million of gross unrealized losses.

Our accounts receivable are highly concentrated. One customer accounted for approximately 23% of our accounts receivable balance at January 26, 2014. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. This allowance consists of an amount identified for specific customers and an amount based on overall estimated exposure. As of January 26, 2014, our allowance for doubtful accounts receivable was 0.2% of our gross accounts receivable balance.

Our cash balances are held in numerous locations throughout the world, including substantial amounts held outside of the United States. As of January 26, 2014, we had cash, cash equivalents and marketable securities of $2.06 billion held within the United States and $2.61 billion held outside of the United States. Most of the amounts held outside the United States may be repatriated to the United States but, under current law, would be subject to U.S. federal income taxes, less applicable foreign tax credits. Further, repatriation of some foreign balances may be restricted by local laws. As of January 26, 2014, we have not provided for U.S. federal and state income taxes on approximately $1.96 billion of undistributed earnings of non-United States subsidiaries, as such earnings are considered indefinitely reinvested outside the United States. Although we have no current need to do so, if we repatriate foreign earnings for cash requirements in the United States, we would incur U.S. federal and state income tax, less applicable foreign tax credits, and reduced by the current amount of our U.S. federal and state net operating loss and tax credit carryforwards. Further, in addition to the $2.06 billion of cash, cash equivalents and marketable securities held within the United States and available to fund our U.S. operations and any other U.S. cash needs, we have access to external sources of financing if cash is needed in the United States other than by repatriation of foreign earnings where U.S. income tax may otherwise be due. Accordingly, we do not reasonably expect any material effect on our business, as a whole, or to our financial flexibility with respect to our current cash balances held outside of the United States.

Convertible Notes

On December 2, 2013, we issued $1.5 billion of 1.00% Convertible Senior Notes, or the Notes, due in 2018 and concurrently entered into separate note hedge and warrant transactions and used $14.3 million to repurchase shares of our common stock from purchasers of the Notes in privately negotiated transactions. In addition to using the net proceeds to fund the transaction costs, note hedge and warrant transactions, we further intend to use the proceeds to repurchase of shares of our common stock and pay cash dividends pursuant to our recently announced fiscal year 2015 capital return program, and for general corporate purposes.

The Notes are unsecured, unsubordinated obligations of the Company, which pay interest in cash semi-annually at a rate of 1.00% per annum. The Notes will mature on December 1, 2018 unless earlier repurchased or converted in accordance with their terms prior to such date. As of January 26, 2014, none of the conditions allowing holders of the Notes to convert had been met and the Notes are therefore classified as a long-term liability on our consolidated balance sheets. Please refer to Note 11 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion.

Stock Repurchase Program

Our Board of Directors has authorized us to repurchase up to $3.7 billion of our common stock through January 2016. As of January 26, 2014, we had repurchased $2.45 billion of that amount, leaving up to $1.25 billion available under this authorization through January 2016. We have announced our intention to return $1.0 billion to shareholders in fiscal year 2015 in the form of share repurchases and dividends. As part of our capital return program, during February 2014 we entered into an accelerated share repurchase agreement to purchase $500.0 million in shares of our common stock. Please refer to Note 14 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion regarding our stock repurchase program.

Cash Dividend Program

Prior to fiscal year 2013, we had never declared or paid any dividend on shares of our common stock. On November 8, 2012, we announced the initiation of a quarterly cash dividend program. This initial quarterly dividend of $0.075 per share was equivalent to $0.30 per share on an annual basis. On November 7, 2013, we increased our quarterly cash dividend by 13% to $0.085 per share which was equivalent to $0.34 per share on an annual basis. A subsequent cash dividend of $0.085 per share was declared on February 12, 2014, payable on March 20, 2014 to all common stockholders of record at the close of business on February 27, 2014. In fiscal year 2014 and fiscal year 2013, we paid $181.3 million and $46.9 million, respectively, in dividends to our common stockholders.

Our cash dividend program and the payment of future cash dividends under that program are subject to continued capital availability and our Board of Directors' continuing determination that the dividend program and the declaration of dividends thereunder are in the best interests of our stockholders and are in compliance with all laws and agreements of NVIDIA applicable to the declaration and payment of cash dividends.

Operating Capital and Capital Expenditure Requirements

We believe that our existing cash balances and anticipated cash flows from operations will be sufficient to meet our operating, acquisition, stock repurchase, cash dividend and capital requirements for at least the next twelve 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. Factors that could affect our cash used or generated from operations and, as a result, our need to seek additional borrowings or capital include:

- decreased demand and market acceptance for our products and/or our customers' products;
- inability to successfully develop and produce in volume production our next-generation products;
- competitive pressures resulting in lower than expected average selling prices; and
- new product announcements or product introductions by our competitors.

We expect to spend approximately $150.0 million to $175.0 million for capital expenditures during fiscal year 2015, primarily for leasehold improvements, emulation equipment, computers and engineering workstations.

For additional factors see "Item 1A. Risk Factors - Risks Related to Our Business, Industry and Partners - *Our revenue may fluctuate while a majority of our operating expenses are a factor of multi-year investments ahead of when revenue is received, which makes our results difficult to predict and could cause our results to fall short of expectations.*"

Contractual Obligations

The following table summarizes our contractual obligations as of January 26, 2014:

Contractual Obligations	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	All Other
	Payment Due By Period					
			(In thousands)			
1.00% Convertible Senior Notes due 2018 (1)	$ 1,575,000	$ 15,000	$ 30,000	$ 1,530,000	$ —	$ —
Operating leases (2)	291,848	74,007	131,684	51,464	34,693	—
Capital lease	27,324	5,168	10,756	11,374	26	—
Inventory purchase obligations	397,704	397,704	—	—	—	—
Uncertain tax positions, interest and penalties (3)	119,977	—	—	—	—	119,977
Capital purchase obligations	41,293	41,293	—	—	—	—
Retention program (4)	18,090	14,468	3,622			—
Total contractual obligations	$ 2,471,236	$ 547,640	$ 176,062	$ 1,592,838	$ 34,719	$ 119,977

(1) Represents the aggregate principal amount of $1,500.0 million and anticipated interest payments of $75.0 million of the Notes. See Note 11 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K.

(2) The Company includes most of its facilities leases as well as non-cancelable obligations under certain software licensing arrangements in the operating lease category.

(3) Represents unrecognized tax benefits of $120.0 million which consists of $107.1 million plus the related interest and penalties of $12.9 million recorded in non-current income tax payable as of January 26, 2014. We are unable to reasonably estimate the timing of any potential tax liability or interest/penalty payments in individual years due to uncertainties in the underlying income tax positions and the timing of the effective settlement of such tax positions.

(4) Represents the remaining portion of a retention program totaling approximately $61.5 million that we initiated in fiscal year 2012 in connection with our acquisition of Icera. As of January 26, 2014, we have made payments of $43.4 million in connection with this program. The remaining payments will be paid out over the next two years.

Off-Balance Sheet Arrangements

During fiscal years 2014, 2013 and 2012, we had no material off-balance sheet arrangements as defined in Regulation S-K 303(a)(4)(ii).

Adoption of New and Recently Issued Accounting Pronouncements

Please see Note 1 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for a discussion of adoption of new and recently issued accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Investment and Interest Rate Risk

As of January 26, 2014 and January 27, 2013, we had $4.67 billion and $3.73 billion, respectively, in cash, cash equivalents and marketable securities. We invest in a variety of financial instruments, consisting principally of cash and cash equivalents, asset-backed securities, commercial paper, mortgage-backed securities issued by Government-sponsored enterprises, money market funds and debt securities of corporations, municipalities and the United States government and its agencies. As of January 26, 2014, we did not have any investments in auction-rate preferred securities. Our investments are denominated in United States dollars.