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

FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended October 26, 2003

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	**94-3177549**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

2701 San Tomas Expressway
Santa Clara, California 95050
(408) 486-2000
(Address, including Zip Code, of Registrant's Principal Executive Offices and Registrant's Telephone Number, including Area Code)

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 (or for such shorter period that the registrant was required to file such reports) and (2) has

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No [_]

The number of shares of the registrant's common stock outstanding as of November 7, 2003 was 162,172,751 shares.

NVIDIA CORPORATION
FORM 10-Q
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NVIDIA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	October 26, 2003	January 26, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 231,813	$ 346,994
Marketable securities	380,313	681,419
Accounts receivable, net	157,839	154,501
Inventories	260,819	145,046
Prepaid expenses and other current assets	15,354	12,393
Prepaid and deferred income taxes	11,966	11,249

Total current assets	1,058,104	1,351,602
Property and equipment, net	196,230	135,152
Deposits and other assets	6,733	10,473
Prepaid and deferred income taxes	44,201	43,317
Goodwill	108,497	54,227
Intangible assets, net	45,015	22,244
	$ 1,458,780	$ 1,617,015
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 242,309	$ 141,129
Accrued liabilities	187,405	228,467
Current portion of note and capital lease obligations	5,788	5,676
Interest payable on convertible debenture	--	4,176
Total current liabilities	435,502	379,448
Deferred income tax liabilities	6,380	--
Capital lease obligations, less current portion	2,634	4,880
Long-term convertible debenture	--	300,000
Long-term liabilities	4,582	--
Stockholders' equity:		
Common stock	162	158
Additional paid-in capital	567,186	531,030
Deferred stock-based compensation	(6,047)	--
Accumulated other comprehensive income, net	389	3,760
Retained earnings	447,992	397,739
Total stockholders' equity	1,009,682	932,687
	$ 1,458,780	$ 1,617,015

See accompanying notes to condensed consolidated financial statements.

NVIDIA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	October 26, 2003	October 27, 2002	October 26, 2003	October 27, 2002
Revenue	$ 486,069	$ 430,304	$ 1,350,826	$ 1,440,494
Cost of revenue	351,938	322,106	960,153	1,025,829
Cost of revenue related to stock option exchange (1)	--	6,164	--	6,164
Gross profit	134,131	102,034	390,673	408,501
Operating expenses:				
Research and development	73,052	57,779	197,982	167,500
Sales, general and administrative	42,218	38,693	122,850	112,083
In-process research and development	3,500	--	3,500	--
Stock option exchange (1)	--	55,668	--	55,668
Total operating expenses	118,770	152,140	324,332	335,251
Operating income (loss)	15,361	(50,106)	66,341	73,250
Interest income	4,626	5,941	15,958	17,117
Interest expense	(3,794)	(4,196)	(11,915)	(12,318)
Other income (expense)	2,428	(275)	3,108	(258)
Convertible debenture redemption expense	(13,068)	--	(13,068)	--
Income (loss) before income tax expense	5,553	(48,636)	60,424	77,791
Income tax expense (benefit)	(803)	--	10,171	37,928
Net income (loss)	$ 6,356	$ (48,636)	$ 50,253	$ 39,863
Basic net income (loss) per share	$ 0.04	$ (0.32)	$ 0.31	$ 0.26
Diluted net income (loss) per share	$ 0.04	$ (0.32)	$ 0.29	$ 0.24
Shares used in basic per share computation	161,582	153,408	160,093	152,129
Shares used in diluted per share computation	173,149	153,408	171,453	168,308

(1) The $61,832 stock option exchange expense for the three and nine months ended October 27, 2002 was related to personnel associated with manufacturing cost, research and development, and sales, general and administrative of $6,164, $35,417 and $20,251, respectively.

See accompanying notes to condensed consolidated financial statements.

NVIDIA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended	
	October 26, 2003	October 27, 2002

Cash flows from operating activities:		
Net income	$ 50,253	$ 39,863
Adjustments to reconcile net income to net cash provided by operating activities:		
In-process research and development	3,500	-
Write-off of convertible debenture issuance costs	5,485	-
Depreciation and amortization	58,410	43,065
Deferred income taxes	-	(120)
Stock-based compensation	361	(156)
Issuance of common stock in exchange for stock options	-	39,906
Bad debt expense	1,195	2,165
Tax benefit from employee stock plans	-	9,120
Changes in operating assets and liabilities:		
Accounts receivable	(3,064)	(4,678)
Inventories	(111,707)	8,834
Prepaid expenses and other current assets	(3,513)	(5,308)
Deposits and other assets	(2,484)	455
Accounts payable	100,474	(43,430)
Accrued liabilities	8,698	35,763
Accrued payroll taxes related to common stock issued in exchange for stock options	-	21,926
Microsoft advance / deferred revenue	(56,981)	(6,698)
Net cash provided by operating activities	50,627	140,707
Cash flows from investing activities:		
Purchases of marketable securities	(640,209)	(399,509)
Sales and maturities of marketable securities	935,697	271,751
Acquisition of businesses	(71,303)	(3,901)
Purchases of property, equipment and intellectual property	(115,248)	(53,183)
Release of restricted cash	-	7,000
Net cash provided by (used in) investing activities	108,937	(177,842)
Cash flows from financing activities:		
Redemption of convertible debenture	(300,000)	-
Common stock issued under employee stock plans	29,752	24,507
Sale lease back financing	-	5,734
Principal payments on capital leases	(4,497)	(3,571)
Net cash provided by (used in) financing activities	(274,745)	26,670
Change in cash and cash equivalents	(115,181)	(10,465)
Cash and cash equivalents at beginning of period	346,994	333,000
Cash and cash equivalents at end of period	$ 231,813	$ 322,535
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 15,063	$ 14,808
Net refund of income taxes	$ (528)	$ (8,154)
Non cash activities:		
Assets recorded under capital lease arrangements	$ 2,528	$ -
Unrealized gains/losses from marketable securities	$ 5,618	$ -
Deferred stock-based compensation	$ 6,336	$ -

See accompanying notes to condensed consolidated financial statements.

NVIDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 – Summary of Significant Accounting Policies

Basis of presentation

The accompanying condensed consolidated unaudited financial statements were prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 1

Reclassifications

Certain prior year balances were reclassified to conform to the current period presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of co

Accounting for Asset Retirement Obligations

On January 27, 2003, we adopted Statement of Financial Accounting Standards No. 143 ("SFAS No. 143"), *Accounting for Asset Retirement Obligations* , which addresses financial accounting and reporting for obligations associated with the retirement of tangible long

Stock-Based Compensation

Statement of Financial Accounting Standards No. 148 ("SFAS No. 148"), *Accounting for Stock-Based Compensation – Transition and Disclosure* , amends the disclosure requirements of Statement of Financial Accounting Standards No. 123 ("SFAS No. 123"), *Accou*

We use the intrinsic value method to account for our stock-based employee compensation plans. Deferred compensation arising from stock-based awards is amortized in accordance with Financial Accounting Standards Board Interpretation No. 28, which generally acc

As permitted under SFAS No. 123 , we have elected to follow Accounting Principles Board Opinion No. 25 and related Interpretations in accounting for stock-based awards to employees. Compensation cost for our stock-based compensation plans as determined cons

	Three Months Ended	Nine Months Ended

	October 26, 2003	October 27, 2002	October 26, 2003	October 27, 2002
	(In thousands, except per share data)			
Net income (loss), as reported	$ 6,356	$ (48,636)	$ 50,253	$ 39,863
Add: Stock-based employee compensation cost included in net income, net of related tax effects	231	-	231	-
Add: Stock option exchange expense included in reported net income, net of related tax effects	-	37,285	-	37,285
Deduct: Compensation expense determined under fair value based method for stock options exchanged on October 25, 2002, net of related tax effects	-	(167,714)	-	(167,714)
Deduct: Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(20,075)	32,485	(56,530)	(26,490)
Pro forma net income (loss)	$ (13,488)	$ (146,580)	$ (6,046)	$ (117,056)
Basic net income (loss) per share – as reported	$ 0.04	$ (0.32)	$ 0.31	$ 0.26
Basic net income (loss) per share – pro forma	$ (0.08)	$ (0.96)	$ (0.04)	$ (0.77)
Diluted net income (loss) per share – as reported	$ 0.04	$ (0.32)	$ 0.29	$ 0.24
Diluted net income (loss) per share – pro forma	$ (0.08)	$ (0.96)	$ (0.04)	$ (0.77)

Note 2 – New Accounting Pronouncements

In November 2002, the Emerging Issues Task Force reached a consensus on Issue No. 00-21 ("EITF No. 00-21"), *Revenue Arrangements with Multiple Deliverables.* EITF No. 00-21 provides guidance on how to account for certain arrangements that involve the deliver

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46 ("FIN 46"), *Consolidation of Variable Interest Entities* . FIN 46 clarifies the application of Accounting Research Bulletin No. 51 and applies to any variable interest entities created

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150 ("SFAS No. 150"), *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* . SFAS No. 150 establishes sta

previously classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, except for certain provisions for mandatorily redeemable controlling interests and non-controlling interests in consolidated limited life entities whi

Note 3 – Change in Accounting Estimate

We compute income taxes for interim reporting purposes using estimates of our effective annual income tax rate for the entire fiscal year. We revised our estimated effective income tax rate on operating income for fiscal year 2004 from 30% to 20% during the second qua

Note 4 - Net Income (Loss) Per Share

Basic net income (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed using the weighted average number of common and dilutive common equivalent shares

	Three Months Ended		Nine Months Ended	
	October 26, 2003	October 27, 2002	October 26, 2003	October 27, 2002
	(In thousands, except per share data)			
Numerator:				
Numerator for basic net income (loss) per share	$ 6,356	$ (48,636)	$ 50,253	$ 39,863
Denominator:				
Denominator for basic net income (loss) per share, weighted average shares outstanding	161,582	153,408	160,093	152,129
Effect of dilutive securities:				
Stock options	11,567	-	11,360	16,179
Denominator for diluted net income (loss) per share	173,149	153,408	171,453	168,308
Net income (loss) per share:				
Basic net income (loss) per share	$ 0.04	$ (0.32)	$ 0.31	$ 0.26
Diluted net income (loss) per share	$ 0.04	$ (0.32)	$ 0.29	$ 0.24

Diluted net income (loss) per share does not include the effect of the following anti-dilutive securities:

	Three Months Ended		Nine Months Ended	
	October 26, 2003	October 27, 2002	October 26, 2003	October 27, 2002
	(In thousands)			
Stock options	8,114	35,381	12,084	3,491
Convertible debentures (common equivalent shares)	-	6,472	-	6,472
	8,114	41,853	12,084	9,963

The weighted-average exercise price of stock options excluded from the computation of diluted net income per share was $29.22 and $25.38 for the three and nine months ended October 26, 2003, respectively. All stock options outstanding were excluded from the compu

Note 5 – Guarantees

Financial Accounting Standards Board Interpretation No. 45 ("FIN 45"), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others,* requires that upon issuance of a guarantee, the guarantor must r

We record a reduction to revenue for estimated product returns at the time revenue is recognized based on historical return rates. The reductions to revenue for estimated product returns for the three and nine months ending October 26, 2003 and October 27, 2002 are a

Description	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period

		(In thousands)		
Three months ended October 26, 2003				
Allowance for sales returns	$ 11,359	$ 6,282	$ (9,278)	$ 8,363
Three months ended October 27, 2002				
Allowance for sales returns	$ 16,602	$ 6,312	$ (7,730)	$ 15,184
Nine months ended October 26, 2003				
Allowance for sales returns	$ 13,228	$ 17,708	$ (22,573)	$ 8,363
Nine months ended October 27, 2002				
Allowance for sales returns	$ 15,586	$ 21,800	$ (22,202)	$ 15,184

In connection with certain agreements that we have executed in the past, we have at times provided indemnities to cover the indemnified party for matters such as tax, product and employee liabilities. We have also on occasion included intellectual property indemnificatio

Note 6 – Comprehensive Income

Comprehensive income consists of net income and other comprehensive income or loss. Other comprehensive income or loss components include cumulative translation adjustments and unrealized gains or losses on available-for-sale securities. The components of co

	Three Months Ended		Nine Months Ended	
	October 26, 2003	October 27, 2002	October 26, 2003	October 27, 2002
		(In thousands)		
Net income (loss)	$ 6,356	$ (48,636)	$ 50,253	$ 39,863
Change in cumulative translation adjustments	--	509	--	207
Reclassification adjustments for net realized gain on available-for-sale securities, net of tax	(1,915)	--	(2,527)	--
Net change in unrealized gains (losses) on available-for-sale securities, net of tax	(2,600)	(362)	(3,371)	2,011
Total comprehensive income (loss)	$ 1,841	$ (48,489)	$ 44,355	$ 42,081

Note 7 – Asset Purchases

During fiscal year 2002, we completed the purchase of certain assets from various businesses, including 3dfx Interactive, Inc. ("3dfx") and other asset purchases, for an aggregate purchase price of approximately $79.1 million. These purchases have been accounted for

On April 18, 2001, we completed the purchase of certain assets of 3dfx, including patents and patent applications. Under the terms of the Asset Purchase Agreement, the cash consideration due at the closing was $70.0 million, less $15.0 million that was loaned to 3dfx p

The 3dfx asset purchase price of $70.0 million and direct transaction costs of $4.2 million were allocated based on fair values presented below. Upon the adoption of Statement of Financial Accounting Standards No. 142 ("SFAS No. 142"), approximately $3.0 million of in

	Fair Market Value	Straight-Line Amortization Period
	(In thousands)	(Years)
Property and equipment	$ 2,433	1-2
Trademarks	11,310	5
Goodwill	60,418	--
Total	$ 74,161	

The final allocation of the purchase price of the 3dfx assets is contingent upon the amount of additional consideration, if any, paid to 3dfx upon the final satisfaction of their liabilities.

Note 8 – Acquisition of MediaQ, Inc.

On August 19, 2003, we completed the acquisition of MediaQ, Inc., a leading provider of graphics and multimedia technology for wireless mobile devices. The aggregate purchase price consisted of cash consideration of approximately $71.3 million, including $1.3 millio

	Fair Market Value	Straight-Line Depreciation/Amortization Period
	(In thousands)	
Accounts receivable	$ 1,469	--
Inventories	4,066	--
Other assets	612	--
Property and equipment	1,460	9 months – 3 years
Deferred income tax assets	1,601	--
In-process research and development	3,500	--
Goodwill	53,358	--
Intangible assets:		
Existing technology	13,100	1 – 3 years
Customer relationships	2,100	18 months
Backlog	600	3 months
Non-compete agreement	150	18 months

Total assets acquired	$	82,016	
Current liabilities	$	(2,116)	--
Liabilities recognized in connection with the business combination		(2,217)	--
Deferred income tax liabilities		(6,380)	--
Total liabilities assumed	$	(10,713)	
Net assets acquired	$	71,303	

The amount of the purchase price allocated to purchased in-process research and development ("IPR&D") represents the value assigned to research and development projects of MediaQ that had commenced but had not yet reached technological feasibility and have

Note 9 – Goodwill

The carrying amount of goodwill is as follows:

	October 26, 2003		January 26, 2003	
	(In thousands)			
3dfx	$	50,326	$	50,326
MediaQ		53,358		-
Other acquisitions		4,813		3,901
Total goodwill	$	108,497	$	54,227

Note 10 – Amortizable Intangible Assets

We are currently amortizing our intangible assets with definitive lives over periods ranging from 3 months to 5 years. The components of our amortizable intangible assets are as follows:

	October 26, 2003						January 26, 2003					
	Gross Carrying Amount		Accumulated Amortization		Net Carrying Amount		Gross Carrying Amount		Accumulated Amortization		Net Carrying Amount	
	(In thousands)											
Technology licenses	$	15,111	$	(6,344)	$	8,767	$	7,028	$	(3,972)	$	3,056
Patents		19,319		(7,467)		11,852		10,319		(4,478)		5,841
Acquired intellectual property		27,067		(8,363)		18,704		11,117		(5,236)		5,881
Trademarks		11,310		(5,748)		5,562		11,310		(4,021)		7,289
Other		250		(120)		130		250		(73)		177
Total intangible assets	$	73,057	$	(28,042)	$	45,015	$	40,024	$	(17,780)	$	22,244

Amortization expense associated with intangible assets for the three and nine months ended October 26, 2003 was $4.8 million and $11.1 million, respectively. Amortization expense associated with intangible assets for the three and nine months ended October 27, 2002

Note 11 - Marketable Securities

We account for our investment instruments in accordance with Statement of Financial Accounting Standards No. 115 ("SFAS No. 115"), *Accounting for Certain Investments in Debt and Equity Securities.* All of our cash equivalents and marketable securities are treate

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. Realized gains and losses on the sale of marketable securities are determined using the specific-identific

Note 12 - Balance Sheet Components

Certain balance sheet components are as follows:

Inventories:	October 26, 2003		January 26, 2003	
	(In thousands)			
Raw materials	$	32,481	$	17,510
Work in-process		73,170		13,179
Finished goods		155,168		114,357
Total inventories	$	260,819	$	145,046

At October 26, 2003, we had outstanding inventory purchase obligations totaling $160.2 million.

Accrued Liabilities:	October 26, 2003		January 26, 2003	
	(In thousands)			
Accrued customer programs	$	50,978	$	50,018
Customer advances		1,415		58,396

Taxes payable	91,815	82,952
Accrued payroll and related expenses	25,966	20,575
Other	17,231	16,526
Total accrued liabilities	$ 187,405	$ 228,467

Note 13 – Convertible Subordinated Debenture Redemption

In October 2000, we sold $300.0 million of convertible subordinated debentures (the "Notes") due October 15, 2007 in a public offering. Proceeds from the offering were approximately $290.8 million after deducting underwriting discounts, commissions and offering expe

On October 24, 2003, we fully redeemed the Notes. The aggregate principal amount of the Notes outstanding was $300.0 million, which included $18.6 million of Notes that we had purchased in the open market during the three months ended October 26, 2003. The reden

Note 14 - Segment Information

We operate in a single industry segment: the design, development and marketing of 3D graphics and media communication processors and related software for personal computers, or PCs, workstations, digital entertainment platforms and handheld devices. Our chief o

	Three Months Ended		Nine Months Ended	
	October 26, 2003	October 27, 2002	October 26, 2003	October 27, 2002
Revenue:		(In thousands)		
United States and other Americas	$ 158,466	$ 115,418	$ 369,276	$ 467,925
Asia Pacific	301,851	281,984	904,684	916,838
Europe	25,752	32,902	76,866	55,731
Total revenue	$ 486,069	$ 430,304	$ 1,350,826	$ 1,440,494

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

	Three Months Ended		Nine Months Ended	
	October 26, 2003	October 27, 2002	October 26, 2003	October 27, 2002
Revenue:				
Customer A	10%	16%	12%	15%
Customer B	25%	20%	18%	24%
Customer C	17%	16%	19%	17%
Customer D	10%	9%	11%	8%

	As of October 26, 2003	As of January 26, 2003
Accounts Receivable:		
Customer A	10%	12%
Customer B	1%	--
Customer C	17%	18%
Customer D	14%	17%

Note 15 – Litigation

On February 19, 2002 an NVIDIA stockholder, Dominic Castaldo, on behalf of himself and purportedly on behalf of a class of our stockholders, filed an action in the United States District Court for the Northern District of California (the "Northern District") against NVII

us, certain of our current and former executive officers, directors and our independent auditors, KPMG LLP, in California Superior Court and in Delaware Chancery Court (collectively the "Actions"). The Actions alleged claims in connection with various alleged statements

The staff of the Enforcement Division of the Securities & Exchange Commission ("SEC") informed us in January 2002 that it had concerns relating to certain accounting matters and that the SEC along with the U.S. Attorney's Office for the Northern District of Californi

On April 18, 2001, we completed the purchase of certain assets of 3dfx, including patents and patent applications. Under the terms of the Asset Purchase Agreement, the cash consideration due at the closing was $70.0 million, less $15.0 million that was loaned to 3dfx p

We are subject to other legal proceedings, but we do not believe that the ultimate outcome of any of these proceedings will have a material adverse effect on our financial position or overall trends in results of operations. However, if an unfavorable ruling were to occu

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion 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-loo

Overview

We are one of the world's largest "fabless" semiconductor companies, supplying graphics and media communications processors and related software that are integral to personal computers, or PCs, professional workstations, digital entertainment platforms and handh

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The

We believe the following critical accounting policies affect our significant judgments and estimates used in the preparation of our condensed consolidated financial statements. Our management has discussed the development and selection of these critical accounting

Revenue Recognition

We recognize revenue from product sales when persuasive evidence of an arrangement exists, the product has been delivered, the price is fixed and determinable and collection is reasonably assured. Our policy on sales to distributors and stocking representatives is to

For all 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

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts and for estimated losses resulting from the financial inability of our customers to make required payments. Management determines this allowance, which consists of an amount identified for specific customer issues as

Inventories

We write down our inventory for estimated lower of cost or market, obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If

Income Taxes

Statement of Financial Accounting Standards No. 109 ("SFAS No. 109"), *Accounting for Income Taxes* , establishes financial accounting and reporting standards for the effect of income taxes. In accordance with SFAS No. 109, we recognize federal, state and foreign

We also recognize federal, state and foreign deferred tax liabilities or assets 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

Results of Operations

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

	Three Months Ended		Nine Months Ended	
	October 26, 2003	October 27, 2002	October 26, 2003	October 27, 2002
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of revenue	72.4	74.9	71.1	71.2
Cost of revenue related to stock option exchange	0.0	1.4	0.0	0.4
Gross profit	27.6	23.7	28.9	28.4
Operating expenses:				
Research and development	15.0	13.4	14.7	11.6
Sales, general and administrative	8.7	9.0	9.1	7.8
Stock option exchange	0.0	12.9	0.0	3.9
In-process research and development	0.7	0.0	0.2	0.0
Total operating expenses	24.4	35.3	24.0	23.3
Operating income (loss)	3.2	(11.6)	4.9	5.1
Interest and other income, net	0.6	0.3	0.5	0.3
Convertible debenture redemption expense	(2.7)	0.0	(1.0)	0.0
Income (loss) before income tax expense	1.1	(11.3)	4.4	5.4
Income tax expense (benefit)	(0.2)	0.0	0.7	2.6
Net income (loss)	1.3%	(11.3)%	3.7%	2.8 %

Three Months and Nine Months Ended October 26, 2003 and October 27, 2002

Revenue

Revenue consists of amounts recognized from the sale of graphics and media communication processors and related software for PCs, workstations and digital entertainment platforms. Revenue increased by 13% to $486.1 million for the three months ended October

Revenue from sales to customers outside of the United States and other Americas accounted for 67% of total revenue for the third quarter of fiscal 2004 and 73% for the first nine months of fiscal 2004. Revenue from sales to customers outside of the United States and

Sales to Microsoft accounted for approximately 25% of revenues for the third quarter of fiscal 2004 and 18% of revenues for the first nine months of fiscal 2004. Our other three largest customers accounted for approximately 37% of revenues for the third quarter of

Although we achieved growth in product revenue for the third quarter of fiscal 2004 from the same period a year ago, 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

Gross Profit

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

In the future, we could be subject to excess or obsolete inventories and be required to take inventory write-downs if growth slows or if we incorrectly forecast product demand. A reduction in demand could negatively impact our gross margins.

Operating Expenses

Research and Development. Research and development expenses consist of salaries and benefits, cost of development tools and software, cost of new product development, consultant costs and other expenses such as facilities and equipment costs. Research and

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 the increased complexity and the greater number of products under

Sales, General and Administrative. Sales, general and administrative expenses consist primarily of salaries, commissions and bonuses, promotional tradeshow and advertising expenses, marketing development expenses, travel and entertainment expenses, legal and

We expect sales, general and administrative expenses to continue to increase in absolute dollars as we continue to support our operations, expand our sales and protect our business interests.

In-process research and development. In connection with our acquisition of MediaQ in August 2003, we wrote-off $3.5 million of in-process research and development expense ("IPR&D") that had not yet reached technological feasibility and has no alternative future

Stock Option Exchange

On September 26, 2002, we commenced an offer (the "Offer") to our employees to exchange outstanding stock options with exercise prices equal to or greater than $27.00 per share ("Eligible Options"). Stock options to purchase an aggregate of approximately

Eligible employees who participated in the Offer received, in exchange for the cancellation of Eligible Options, a fixed amount of consideration, represented by fully vested, non-forfeitable common stock and applicable withholding taxes, equal to the number of shares

Variable accounting is not required under Issue 39(a) of EITF Issue No. 00-23 for Eligible Options subject to the Offer that were not surrendered for cancellation, because: (i) the shares of our common stock offered as consideration for the surrendered options were

On October 24, 2002, the offer period ended and we were obligated to exchange approximately 18,843,000 Eligible Options for total consideration of $61,832,000, consisting of $39,906,000 in fully vested, non-forfeitable shares of our common stock (approximately

The shares of our common stock issued in exchange for Eligible Options were fully vested. However, a portion of the shares equal to 25% of the total consideration, based on the closing price of our common stock on the offer termination date, have a six month holding

Interest Income and Interest Expense

Interest income consists of interest earned on cash, cash equivalents and marketable securities. Interest income decreased from $5.9 million to $4.6 million from the third quarter of fiscal 2003 to the third quarter of 2004. Interest income decreased from $17.1 million to

Interest expense primarily consists of interest incurred as a result of capital lease obligations and interest on our convertible debenture. Interest expense decreased from $4.2 million to $3.8 million from the third quarter of fiscal 2003 to the third quarter of 2004. Interest

Other Income and Other Expense

Other income and expense primarily consists of realized gains and losses on the sale of marketable securities and any gains or losses related to the disposal of fixed assets . Other income increased by $2.7 million primarily due to $2.5 million of realized gains on the sale

Convertible Debenture Redemption Expense

On October 24, 2003, we fully redeemed our $300.0 million of 4¾% convertible subordinated debentures due 2007 (the "Notes"). The aggregate principal amount of the Notes outstanding was $300.0 million, which included $18.6 million of Notes that we had purchased i

Income Taxes

We recognized income tax benefit of $0.8 million for the third quarter of fiscal 2004. We did not record any income tax expense or benefit for the third quarter of fiscal 2003 as our loss before income tax expense of $48.6 million was primarily attributable to a stock compen

Liquidity and Capital Resources

As of October 26, 2003, we had $612.1 million in cash, cash equivalents and marketable securities, a decrease of $416.3 million from the end of fiscal 2003. Our portfolio of cash equivalents and marketable securities is managed by several financial institutions. Our invest

Operating activities generated cash of $52.8 million and $140.7 million during the first nine months of fiscal 2004 and 2003, respectively. The decrease in cash flows from operating activities in the first nine months of fiscal 2004 when compared to fiscal 2003 was primarily

Cash used in investing activities has consisted primarily of investments in marketable securities, the purchase of certain assets from various businesses and purchases of property and equipment, which include leasehold improvements for our facilities. Investing activi

Financing activities used cash of $274.7 million during the first nine months of fiscal 2004 compared to cash provided of $26.7 million in fiscal 2003. The increase in cash used in the first nine months of fiscal 2004 when compared to fiscal 2003 was primarily due to the $3

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 and capital requirements for at least the next 12 months. However, there is no assurance that we will not need to raise additional e

- 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.

Other key factors that could affect our liquidity include:

3dfx Asset Purchase

On April 18, 2001, we completed the purchase of certain assets of 3dfx, including patents and patent applications. Under the terms of the Asset Purchase Agreement, the cash consideration due at the closing was $70.0 million, less $15.0 million that was loaned to 3dfx p

Contractual Cash Obligations

As of October 26, 2003, our outstanding inventory purchase obligations have decreased to $160.2 million from $210.3 million as of January 26, 2003. There were no other material changes in our contractual cash obligations from those disclosed in our Annual Report on

For additional factors see "Business Risks – Our operating results are unpredictable and may fluctuate, and if our operating results are below the expectations of securities analysts or investors, our stock price could decline."

Recent Accounting Pronouncements

Information regarding recent accounting pronouncements is set forth in Note 2 of the Notes to Condensed Consolidated Financial Statements under the subheading "New Accounting Pronouncements," which information is hereby incorporated by reference.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We invest in a variety of financial instruments, consisting principally of investments in commercial paper, money market funds and highly liquid debt securities of corporations, municipalities and the U.S. Government and its agencies. These investments are denominat

We account for our investment instruments in accordance with Statement of Financial Accounting Standards No. 115 ("SFAS No. 115"), *Accounting for Certain Investments in Debt and Equity Securities* . All of the cash equivalents and marketable securities are treat

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 hav

Business Risks

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

Risks Related to Our Operations

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 and higher product cost. Manufacturing proces

Failure to achieve expected manufacturing yields for existing and/or new products would reduce our gross margins.

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, yiel

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 capac

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

Our performance is 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 so our relationships with these officers and employees are at will. We do not ha

Our failure to estimate customer demand properly may result in excess or obsolete inventory that could adversely affect our gross margins.

Inventory purchases are based upon future demand forecasts. If there were to be a sudden and significant decrease in demand for our products, or if there were a higher incidence of inventory obsolescence because of rapidly changing technology and customer requir

Our operating results are unpredictable and may fluctuate, and if our operating results are below the expectations of securities analysts or investors our stock price could decline.

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 th

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 original equipment manufacturers', or OEMs', 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. and international economies;
- competitive pressures resulting in lower than expected average selling prices;

- product 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, terrorism 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 and other types of lawsuits;
- 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.

Failure in operation or future enhancement or implementation of our enterprise resource planning system could harm our operations.

During fiscal 2003, we initiated an examination of SAP, our current enterprise resource planning, or ERP, system to enhance our information systems in business, finance, operations and service. During fiscal 2003 and 2004, we implemented certain additional functionali

Our operating expenses are relatively fixed, and we order materials in advance of anticipated customer demand. Therefore, we have limited ability to reduce expenses quickly in response to any revenue shortfalls.

Most of our operating expenses are relatively fixed in the short term, and we may be unable to adjust spending sufficiently in a timely manner to compensate for any unexpected sales shortfall. Substantially all of our sales are made on the basis of purchase orders rathe

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

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 October 26, 2003, we had 1,796 employees as compared to 1,513 employees as of January 26, 2003. We expect that the nu

Risks Related to Our Products

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

Our business depends to a significant extent on our ability to successfully develop new products for the 3D graphics market. Our add-in board and motherboard manufacturers and major OEM customers typically introduce new system configurations as often as twice

- 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, CEMs and add-in board and motherboard manufacturers;
- price our products competitively; and
- introduce the products to the market within the limited window for PC OEMs and add-in board and motherboard 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 International Business Machines, or IBM, Taiwan Semiconductor Manufacturing Company, or TSMC, United Microelectronics Corporation, or UMC, and any additional third-party manufacturers to effectively manufacture our new products in a timel
- 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 introdu

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

As 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 gra

We could suffer a loss of market share if our products contain significant defects.

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 defects and incompatibilities with customers' hardware in certain of

Risks Related to Our Partners

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

In the past we have acquired and invested in other businesses that offered products, services and technologies that we believed would help expand or enhance our products and services or help expand our distribution channels. For any previous or future acquisition

- difficulty in combining the technology, operations or workforce of the acquired business;
- disruption of our ongoing 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.

We sell our products to a small number of customers and our business could suffer by the loss of these customers.

We have only a limited number of customers and our sales are highly concentrated. Our sales process involves achieving key design wins with leading PC OEMs and major system builders and supporting the product design into high volume production with key CEM

Difficulties in collecting accounts receivable could result in significant charges against income, which could harm our business.

Our accounts receivable are highly concentrated and make us vulnerable to adverse changes in our customers' businesses and to downturns in the economy and the industry. We maintain an allowance for doubtful accounts for estimated losses resulting from the inab

We depend on foundries and independent contractors to manufacture our products and these third parties may not be able to satisfy our manufacturing requirements, which would harm our business.

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, IBM and UMC to p

There can be no assurance that IBM will be able to produce wafers of acceptable quality and with acceptable manufacturing yield and deliver those wafers to us and our independent assembly and testing subcontractors on a timely basis. .

On March 26, 2003, we announced that we have formed a multi-year strategic alliance under which IBM will manufacture our next-generation GeForce GPUs. As part of the agreement, we will gain access to IBM's suite of foundry services and manufacturing technologi

During the development of our relationship with IBM, our manufacturing yields and product performance could suffer due to difficulties associated with adapting our technology and product design to the proprietary process technology and design rules of IBM. Any

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

Our graphics processors are assembled and tested by Siliconware Precision Industries Company Ltd., Amkor Technology, ChipPAC Incorporated and Advanced Semiconductor Engineering. We do not have long-term agreements with any of these subcontractors. As

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 availab

Microsoft announced that it had entered into an agreement with one of our competitors to develop technology for future Xbox products and services. The impact that this announcement may have on our future revenue from the sale of Xbox processors to Micro

On August 14, 2003, Microsoft announced that it had entered into an agreement with one of our competitors to develop technology for future Xbox products and services. The impact that this announcement may have on our future revenue from the sale of Xbox proce

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 stockholder approval;
- the prohibition of stockholder action by written consent;
- a classified board of directors; and
- advance notice requirements for director nominations and stockholder proposals.

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. In the event that an individual or corporation makes an offer to p

Risks Related to Our Competition

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 r

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 integrated core logic chipsets that incorporate 3D graphics functionality as part of their existing solutions, such as Intel, Silicon Integrated Systems, ATI Technologies Inc. and VIA Technologies, Inc.;
- suppliers of graphics add-in boards that utilize their internally developed graphics chips, such as ATI Technologies Inc., Creative Technology and Matrox Electronics Systems Ltd.;
- suppliers of mobile graphics processors that incorporate 3D graphics functionality as part of their existing solutions, such as ATI Technologies Inc., XGI Technology, Inc. and the joint venture of a division of SONICblue Incorporated (formerly S3 Incorporated) an
- suppliers of media processors for handheld devices that incorporate advanced graphics functionality as part of their existing solutions, such as ATI Technologies Inc. and Seiko-Epson; and
- companies that have traditionally focused on the professional market and provide high end 3D solutions for PCs and workstations, including 3Dlabs (a Creative Technology company) and ATI Technologies Inc.

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 succ

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 and motherboard r

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 hardwar

Risks Related to Market Conditions

The semiconductor industry is cyclical in nature and an industry downturn could harm our business.

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 operati

We are subject to risks associated with international operations which may harm our business.

Our reliance on foreign third-party manufacturing, assembly, testing and packaging 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, including terrorism and war, which may delay the shipment of our products.
- 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 ou

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 h

We are dependent on the PC market and the slowdown in its growth has and may in the future have a negative impact on our business.

During fiscal 2003 and the first nine months of fiscal 2004, we derived most of our revenue from the sale of products for use in the desktop PC market, from professional workstations to low-cost PCs. We expect to continue to derive most of our revenue from the sale or

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 e

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 popu

Hostilities involving the United States and/or terrorist attacks could harm our business.

The financial, political, economic and other uncertainties following the terrorist attacks upon the United States have led to a weakening of the global economy. Recent economic data, such as the United States unemployment rate and consumer confidence measures, ap

Political instability in Taiwan and in The People's Republic of China could harm our business.

Because of our reliance on TSMC and UMC, 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, or if relations between the U.S. and The People's Republ

Our stock price may continue to experience significant 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 that are non-company specific, such as the decline in the U.S. econ

We are exposed to fluctuations in the market values of our portfolio investments and in interest rates.

For additional information regarding risks associated with the market value of portfolio investments and interest rates, see Part I, Item 3 "Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk."

Risks Related to Intellectual Property, Litigation and Government Action

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 and positions, which has resulted in protracted and expensive litigation. The 3D graphics market in particular has been characterized recently by the aggressi

Our ability to compete will be harmed if we are 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. Our pending patent applications and any future applications may not be appro

Litigation 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.

We are currently subject to claims of patent infringement, and we may be subject to patent infringement claims or suits brought by other parties in the future. We do not believe that current actions will have a material impact on our business or financial condition. How

Future actions by the IRS or SEC or other governmental or regulatory agencies could harm our business.

The Internal Revenue Service (IRS) is currently examining our income tax returns for our fiscal years ending January 28, 2001 and January 27, 2002. The IRS routinely examines a company's tax filings. The anticipated IRS results are included in our fiscal 2003 financial st

Future actions by the IRS or SEC or other governmental or regulatory agencies with respect to us or our personnel may take significant time, may be expensive and may divert management's attention for other business concerns and harm our business.

ITEM 4. CONTROLS AND PROCEDURES

Controls and Procedures

Based on their evaluation as of October 26, 2003, our Chief Executive Officer and Chief Financial Officer, have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) w

During the quarter ended October 26, 2003, we implemented enhancements to our enterprise resource planning system that changed our information systems in business, finance and operations. We believe that these enhancements were sufficiently effective to ensure

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On February 19, 2002 an NVIDIA stockholder, Dominic Castaldo, on behalf of himself and purportedly on behalf of a class of our stockholders, filed an action in the United States District Court for the Northern District of California (the "Northern District") against NVI

The staff of the Enforcement Division of the Securities & Exchange Commission ("SEC") informed us in January 2002 that it had concerns relating to certain accounting matters and that the SEC along with the U.S. Attorney's Office for the Northern District of California

On April 18, 2001, we completed the purchase of certain assets of 3dfx, including patents and patent applications. Under the terms of the Asset Purchase Agreement, the cash consideration due at the closing was $70.0 million, less $15.0 million that was loaned to 3dfx p

We are subject to other legal proceedings, but we do not believe that the ultimate outcome of any of these proceedings will have a material adverse effect on our financial position or overall trends in results of operations. However, if an unfavorable ruling were to occu

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Not applicable.

ITEM 5. OTHER INFORMATION

Consistent with Section 10A(i)(2) of the Securities Exchange Act of 1934, as added by Section 202 of the Public Company Accounting Reform and Investor Protection Act of 2002, NVIDIA is responsible for disclosing the nature of the non-audit services approved by c

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

31.1	Certification of Chief Executive Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Chief Executive Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended.
32.2*	Certification of Chief Financial Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended.

*The certifications attached as Exhibit 32.1 and Exhibit 32.2 accompany this Quarterly Report on Form 10-Q, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Nvidia Corporation under the S

(b) Reports on Form 8-K

(i) On August 5, 2003, NVIDIA filed a report on Form 8-K, dated August 4, 2003, furnishing under "Item 9 Regulation FD Disclosure" it had signed a definitive agreement to acquire MediaQ, Inc.
(ii) On August 7, 2003, NVIDIA filed a report on Form 8-K, dated August 7, 2003, furnishing under "Item 12. Disclosure of Results of Operations and Financial Condition" its financial information for the three and six months ended July 27, 2003, as permitted by SEC Release
(iii) On August 22, 2003, NVIDIA filed a report on Form 8-K, dated August 19, 2003, furnishing under "Item 9. Regulation FD Disclosure" it had completed the acquisition of MediaQ, Inc.
(iv) On September 12, 2003, NVIDIA filed a report on Form 8-K, dated September 11, 2003, furnishing under "Item 9. Regulation FD Disclosure" that the Securities and Exchange Commission had concluded its investigation of NVIDIA.
(v) On September 17, 2003, NVIDIA filed a report on Form 8-K, dated September 17, 2003, furnishing under "Item 5. Other Events and Required FD Disclosure" that its Board of Directors had approved the redemption, on October 24, 2003, of its 4 ¾% Convertible Subordina

SIGNATURE

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 November 21, 2003.

NVIDIA Corporation

By: /s/ MARVIN D. BURKETT

Marvin D. Burkett
Chief Financial Officer
(Principal Financial and Accounting Officer)