NVIDIA CORP
Form 10-Q
May 23, 2012

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 April 29, 2012
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, and telephone number, including area code, of principal executive offices)

N/A
(Former name, former address and former fiscal year if changed since last report)

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 been subject to such filing requirements for the past 90 days.
Yes Q No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes Q No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No Q

The number of shares of common stock, $0.001 par value, outstanding as of May 18, 2012, was 618,804,109

NVIDIA CORPORATION
FORM 10-Q
FOR THE QUARTER ENDED April 29, 2012

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

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

	Three Months Ended	
	April 29, 2012	May 1, 2011
Revenue	$924,877	$962,039
Cost of revenue	461,513	477,536
Gross profit	463,364	484,503
Operating expenses		
Research and development	283,902	231,524
Sales, general and administrative	106,636	98,117
Total operating expenses	390,538	329,641
Income from operations	72,826	154,862
Interest income	5,198	5,313
Other expense	(929)	(3,690)
Income before income tax expense	77,095	156,485
Income tax expense	16,658	21,266
Net income	$60,437	$135,219
Basic net income per share	$0.10	$0.23
Shares used in basic per share computation	615,780	594,802
Diluted net income per share	$0.10	$0.22
Shares used in diluted per share computation	623,786	613,474

See accompanying Notes to Condensed Consolidated Financial Statements.

NVIDIA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)
(In thousands)

	Three Months Ended	
	April 29, 2012	May 1, 2011
Net income	$60,437	$135,219
Net change in unrealized gains (losses) on available-for-sale securities	(102)	1,209
Less: reclassification adjustments for net realized gains on available-for-sale securities included in net income	(132)	(81)
Income tax (expense) benefit related to items of other comprehensive income	67	(279)
Other comprehensive income (loss), net of tax	$(167)	$849
Total comprehensive income	$60,270	$136,068

See accompanying Notes to Condensed Consolidated Financial Statements.

NVIDIA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(In thousands)

	April 29, 2012	January 29, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$369,135	$667,876
Marketable securities	2,761,677	2,461,700
Accounts receivable, net	411,155	336,143
Inventories	342,707	340,297
Prepaid expenses and other	97,511	49,411
Deferred income taxes	49,931	49,931
Total current assets	4,032,116	3,905,358
Property and equipment, net	553,541	560,072
Goodwill	641,030	641,030
Intangible assets, net	363,395	326,136
Other assets	118,085	120,332
Total assets	$5,708,167	$5,552,928
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$395,578	$335,072
Accrued liabilities and other	551,826	594,886
Total current liabilities	947,404	929,958
Other long-term liabilities	452,505	455,807
Capital lease obligations, long-term	20,830	21,439
Commitments and contingencies - see Note 12	—	—
Stockholders’ equity:		
Preferred stock	—	—
Common stock	707	700
Additional paid-in capital	2,994,507	2,900,896
Treasury stock, at cost	(1,509,088)	(1,496,904)
Accumulated other comprehensive income	10,447	10,614
Retained earnings	2,790,855	2,730,418
Total stockholders' equity	4,287,428	4,145,724
Total liabilities and stockholders' equity	$5,708,167	$5,552,928

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	April 29, 2012	May 1, 2011
Cash flows from operating activities:		
Net income	$60,437	$135,219
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	54,491	47,764
Stock-based compensation expense	35,569	31,739
Other	5,451	2,195
Deferred income taxes	3,630	8,415
Excess tax benefits from stock-based compensation	(8,675)	(13,644)
Changes in operating assets and liabilities, net of effect of acquisition:		
Accounts receivable	(75,369)	5,820
Inventories	(2,191)	(35,183)
Prepaid expenses and other current assets	(48,100)	(3,964)
Other assets	(1,882)	3,226
Accounts payable	33,516	53,740
Accrued liabilities and other long-term liabilities	(66,085)	(63,127)
Net cash provided by (used in) operating activities	(9,208)	172,200
Cash flows from investing activities:		
Purchases of marketable securities	(814,222)	(427,874)
Proceeds from sales and maturities of marketable securities	507,875	206,946
Purchases of property and equipment and intangible assets	(28,923)	(31,195)
Other	216	(383)
Net cash used in investing activities	(335,054)	(252,506)
Cash flows from financing activities:		
Proceeds from issuance of common stock under employee stock plans	37,361	85,286
Payments under capital lease obligations	(515)	(352)
Excess tax benefits from stock-based compensation	8,675	13,644
Net cash provided by financing activities	45,521	98,578
Change in cash and cash equivalents	(298,741)	18,272
Cash and cash equivalents at beginning of period	667,876	665,361
Cash and cash equivalents at end of period	$369,135	$683,633
Supplemental disclosures of cash flow information:		
Cash paid for income taxes, net	$2,010	$1,404
Cash paid for interest on capital lease obligations	$744	$761
Other non-cash activities:		
Assets acquired by assuming related liabilities	$55,256	$6,416
Change in unrealized gains (losses) from marketable securities	$(167)	$850

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 unaudited condensed consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP, for interim financial information and with the instructions to Form 10-Q and Article 10 of Securities and Exchange Commission, or SEC, Regulation S-X. In the opinion of management, all adjustments, consisting only of normal recurring adjustments except as otherwise noted, considered necessary for a fair statement of results of operations and financial position have been included. The results for the interim periods presented are not necessarily indicative of the results expected for any future period. The following information should be read in conjunction with the audited financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended January 29, 2012.

Fiscal Year

We operate on a 52 or 53-week year, ending on the last Sunday in January. Fiscal year 2013 and fiscal year 2012 are both 52-week years. The first quarters of fiscal years 2013 and 2012 are both 13-week quarters.

Principles of Consolidation

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

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. 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. These estimates are based on historical facts and various other assumptions that we believe are reasonable.

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 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 based on the shipping terms. 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 accrue for 100% of the potential rebates and do not apply a breakage factor. 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.

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

Our customer programs also include marketing development funds, or MDFs. We account for MDFs as either a reduction of revenue or an operating expense, depending on the nature of the program. MDFs represent monies paid to retailers, system builders, original equipment manufacturers, 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 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 this license 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 of 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.

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, inventory provisions and shipping costs. We write down our inventory to the lower of cost or estimated market value. Obsolete or unmarketable inventory is completely written off based upon assumptions about future demand, future product purchase commitments, estimated manufacturing yield levels and market conditions. If actual market conditions are less favorable than those projected by management, or if our current inventory or our future product purchase commitments to our suppliers exceed our forecasted future demand for such products, additional future inventory write-downs may be required that could adversely affect our operating results. Inventory reserves once established are not reversed until the related inventory has been sold or scrapped. If actual market conditions are more favorable than expected and we sell products that we have previously written down, our reported gross margin would be favorably impacted.

Adoption of New and Recently Issued Accounting Pronouncements

In the first quarter of fiscal year 2013, we adopted an amended standard that increases the prominence of items reported in other comprehensive income. This amended standard eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity and requires that all changes in stockholders' equity-except investments by, and distributions to, owners-be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The adoption of this amended standard impacted the presentation of other comprehensive income, as we have elected to present two separate but consecutive statements, but did not have an impact on our financial position or results of operations.

Note 2 - Stock-Based Compensation

We measure stock-based compensation expense at the grant date of the related equity awards, based on the fair value of the awards, and recognize the expense using the straight-line attribution method over the requisite employee service period adjusted for estimated forfeitures. We estimate the fair value of employee stock options on the date of grant using a binomial model and use the closing trading price of our common stock on the date of grant as the fair value of awards of restricted stock units, or RSUs. We calculate the fair value of our employee stock purchase plan using the Black-Scholes model.

Our consolidated statements of operations include stock-based compensation expense, net of amounts capitalized as inventory, as follows:

	Three Months Ended	
	April 29, 2012	May 1, 2011
	(In thousands)	
Cost of revenue	$2,526	$2,477
Research and development	$21,207	$18,589
Sales, general and administrative	$11,836	$10,673
Total	$35,569	$31,739

During the three months ended April 29, 2012, we granted approximately 2.9 million options with an estimated total grant-date fair value of $16.2 million and a weighted average grant-date fair value of $5.52 per option. During the three months ended April 29, 2012, we granted approximately 3.3 million RSUs, with an estimated total grant-date fair value of $48.2 million and a weighted average grant-date fair value of $14.58 per RSU.

During the three months ended May 1, 2011, we granted approximately 2.9 million stock options, with an estimated total grant-date fair value of $26.6 million and a weighted average grant-date fair value of $9.24 per option. During the three months ended May 1, 2011, we granted approximately 3.3 million RSUs, with an estimated total grant-date fair value of $59.6 million and a weighted average grant-date fair value of $18.18 per RSU.

Of the estimated total grant-date fair value, we estimated that the stock-based compensation expense related to the equity awards that are not expected to vest was $11.5 million and $15.4 million for the three months ended April 29, 2012 and May 1, 2011. As of April 29, 2012 and May 1, 2011, the aggregate amount of unearned stock-based compensation expense related to our equity awards was $212.9 million and $194.3 million, respectively, adjusted for estimated forfeitures. As of April 29, 2012 and May 1, 2011, we expect to recognize the unearned stock-based compensation expense related to stock options over an estimated weighted average amortization period of 2.7 years and 2.2 years, respectively. As of April 29, 2012 and May 1, 2011, we expect to recognize the unearned stock-based compensation expense related to RSUs over an estimated weighted average amortization period of 2.8 years and 2.7 years, respectively.

Valuation Assumptions

We utilize a binomial model for calculating the estimated fair value of new stock-based compensation awards granted under our equity incentive plans. We have determined that the use of implied volatility is expected to be reflective of market conditions and, therefore, can be expected to be a reasonable indicator of our expected volatility. 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. As such, the expected term assumption used in calculating the estimated fair value of our stock-based compensation awards using the binomial model is based on detailed historical data about employees' exercise behavior, vesting schedules, and death and disability probabilities. Our management believes the resulting binomial calculation provides a reasonable estimate of the fair value of our employee stock options. For our employee stock purchase plan, we continue to use the Black-Scholes model.

We estimate forfeitures annually and revise the estimates of forfeiture, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are estimated based on historical experience.

The fair value of stock options granted under our equity incentive plans and shares issued under our employee stock purchase plan have been estimated at the date of grant with the following assumptions:

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

	Three Months Ended	
	April 29, 2012	May 1, 2011
Stock Options	(Using a binomial model)	
Expected life (in years)	4.2 -4.7	4.4-5.4
Risk free interest rate	2.0%-2.3%	3.2%-3.8%
Volatility	43%-46%	50%-61%
Dividend yield	—	—

	Three Months Ended	
	April 29, 2012	May 1, 2011
Employee Stock Purchase Plan	(Using a Black-Scholes model)	
Expected life (in years)	0.5-2.0	0.5-2.0
Risk free interest rate	0.1%-0.3%	0.2%-0.7%
Volatility	44%	57%
Dividend yield	—	—

Equity Award Activity

The following summarizes the stock option and RSU activity under our equity incentive plans:

	Options Outstanding	Weighted Average Exercise Price
Stock Options	(In thousands)	(Per share)
Balances, January 29, 2012	33,329	$14.44
Granted	2,937	$14.54
Exercised	(2,015)	$9.72
Cancelled	(1,521)	$17.32
Balances, April 29, 2012	32,730	$14.61

	RSUs Outstanding	Weighted Average Grant-Date Fair Value
Restricted Stock Units	(In thousands)	(Per share)
Balances, January 29, 2012	13,638	$15.10
Granted	3,306	$14.58
Vested	(2,470)	$14.14
Cancelled	(168)	$15.49
Balances, April 29, 2012	14,306	$15.14

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

Note 3 – Net Income Per Share

The following is a reconciliation of the numerator and denominator of the basic and diluted net income per share computations for the periods presented:

	Three Months Ended	
	April 29, 2012	May 1, 2011
	(In thousands, except per share data)	
Numerator:		
Net income	$60,437	$135,219
Denominator:		
Denominator for basic net income per share, weighted average shares	615,780	594,802
Effect of dilutive securities:		
Equity awards outstanding	8,006	18,672
Denominator for diluted net income per share, weighted average shares	623,786	613,474
Net income per share:		
Basic net income per share	$0.10	$0.23
Diluted net income per share	$0.10	$0.22
Potentially dilutive securities excluded from income per diluted share because their effect would have been anti-dilutive	23,430	10,401

Note 4 – Income Taxes

We recognized income tax expense of $16.7 million and $21.3 million for the three months ended April 29, 2012 and May 1, 2011, respectively. Income tax expense as a percentage of income before taxes, or our effective tax rate, was 21.6% and 13.6% for the three months ended April 29, 2012 and May 1, 2011, respectively. The increase in our effective tax rate of 21.6% from 13.6% was primarily related to the expiration of the U.S. federal research tax credit in December 31, 2011, which provided no tax benefit for the three months ended April 29, 2012.
Our effective tax rate on income before tax for the three months ended April 29, 2012 of 21.6% was lower than the United States federal statutory rate of 35.0% due primarily to income earned in jurisdictions where the tax rate is lower than the United States federal statutory tax rate.
Our effective tax rate on income before tax for the three months ended May 1, 2011 of 13.6% was lower than the United States federal statutory rate of 35.0% due primarily to income earned in jurisdictions where the tax rate is lower than the United States federal statutory tax and the benefit of the U.S. federal research tax credit. Further, our annual projected effective tax rate of 16.7% as of the three months ended May 1, 2011 differs from our effective tax rate of 13.6% for the first three months fiscal year 2012 due to favorable discrete events that occurred in the first three months of fiscal year 2012 primarily attributable to the expiration of statutes of limitations in certain non-U.S. jurisdictions for which we had not previously recognized related tax benefits.
As of April 29, 2012, we recorded an increase of unrecognized tax benefits of approximately $49.6 million, which is primarily related to an income tax position with respect to an acquired tax attribute. The $49.6 million of unrecognized tax benefits recorded in the three months ended April 29, 2012 consists of $48.5 million recorded in non-current income tax payable and $1.1 million reflected as a reduction to the related deferred tax assets.
Additionally, we recorded a decrease in the uncertain tax benefits related to the expiration of statutes of limitations in

certain non-U.S. jurisdictions in the three months ended April 29, 2012 of approximately $3.8 million. There have been no other significant changes to our unrecognized tax benefits, any related interest or penalties from our fiscal year ended January 29, 2012. For the three months ended April 29, 2012, there have been no material changes to our tax years that remain subject to examination by major tax jurisdictions.

While we believe that we have adequately provided for all uncertain tax positions, amounts asserted by tax authorities could be greater or less than our accrued position. Accordingly, our provisions on federal, state and foreign tax related matters to be

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

recorded in the future may change as revised estimates are made or the underlying matters are settled or otherwise resolved with the respective tax authorities. As of April 29, 2012, we do not believe that our estimates, as otherwise provided for, on such tax positions will significantly increase or decrease within the next twelve months.

Note 5 - Marketable Securities

All of our cash equivalents and marketable securities are classified as “available-for-sale” securities. 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.

We performed an impairment review of our investment portfolio as of April 29, 2012. Based on our quarterly impairment review and having considered the guidance in the relevant accounting literature, we concluded that our investments were appropriately valued and that no other than temporary impairment charges were necessary on our portfolio of available for sale investments as of April 29, 2012. The following is a summary of cash equivalents and marketable securities at April 29, 2012 and January 29, 2012:

	April 29, 2012				
	Amortized Cost	Unrealized Gain	Unrealized Loss		Estimated Fair Value
	(In thousands)				
Debt securities of United States government agencies	$746,614	$1,501	$(148	)	$747,967
Corporate debt securities	1,368,669	3,017	(345	)	1,371,341
Mortgage backed securities issued by United States government-sponsored enterprises	170,388	5,616	(112	)	175,892
Money market funds	37,598	—	—		37,598
Debt securities issued by United States Treasury	546,223	1,764	(15	)	547,972
Total	$2,869,492	$11,898	$(620	)	$2,880,770
Classified as:					
Cash equivalents					$119,093
Marketable securities					2,761,677
Total					$2,880,770

	January 29, 2012				
	Amortized Cost	Unrealized Gain	Unrealized Loss		Estimated Fair Value
	(In thousands)				
Debt securities of United States government agencies	$769,300	$1,605	$(151	)	$770,754
Corporate debt securities	1,114,439	3,268	(260	)	1,117,447
Mortgage backed securities issued by United States government-sponsored enterprises	156,668	4,964	(73	)	161,559
Money market funds	290,732	—	—		290,732
Debt securities issued by United States Treasury	533,616	2,161	(3	)	535,774
Total	$2,864,755	$11,998	$(487	)	$2,876,266

Classified as:	
Cash equivalents	$414,566
Marketable securities	2,461,700
Total	$2,876,266

The amortized cost and estimated fair value of cash equivalents and marketable securities which are primarily debt instruments are classified as available-for-sale at April 29, 2012 and January 29, 2012 and are shown below by contractual maturity.

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

	April 29, 2012		January 29, 2012	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In thousands)			
Less than one year	$1,331,340	$1,333,644	$1,705,916	$1,708,154
Due in 1 - 5 years	1,380,573	1,385,115	1,047,956	1,053,265
Mortgage-backed securities issued by government-sponsored enterprises not due at a single maturity date	157,579	162,011	110,883	114,847
Total	$2,869,492	$2,880,770	$2,864,755	$2,876,266

Net realized gains for the three months ended April 29, 2012 and May 1, 2011 were not significant.

Note 6 – Fair Value of Cash Equivalents and Marketable Securities

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 fund deposits. 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. There were no significant transfers between Levels 1 and 2 assets for the three months ended April 29, 2012.

Financial assets and liabilities measured at fair value are summarized below:

	Fair value measurement at reporting date using		
	April 29, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
	(In thousands)		
Debt securities issued by United States government agencies (1)	$747,967	$—	$747,967
Debt securities issued by United States Treasury (2)	547,972	—	547,972
Corporate debt securities (3)	1,371,341	—	1,371,341
Mortgage-backed securities issued by government-sponsored entities (4)	175,892	—	175,892
Money market funds (5)	37,598	37,598	—
Total cash equivalents and marketable securities	$2,880,770	$37,598	$2,843,172

(1) Included in Marketable Securities on the Condensed Consolidated Balance Sheet.
(2)

Includes \$4.0 million in Cash Equivalents and \$544.0 million in Marketable Securities on the Condensed Consolidated Balance Sheet.

(3) Includes \$77.5 million in Cash Equivalents and \$1,293.8 million in Marketable Securities on the Condensed Consolidated Balance Sheet.

(4) Included in Marketable Securities on the Condensed Consolidated Balance Sheet.

(5) Included in Cash Equivalents on the Condensed Consolidated Balance Sheet.

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

Note 7 - 3dfx

During fiscal year 2002, we completed the purchase of certain assets from 3dfx Interactive, Inc., or 3dfx, for an aggregate purchase price of approximately $74.2 million. On December 15, 2000, NVIDIA Corporation and one of our indirect subsidiaries entered into an Asset Purchase Agreement, or the APA, which closed on April 18, 2001, to purchase certain graphics chip assets from 3dfx.

In October 2002, 3dfx filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court for the Northern District of California. In March 2003, the Trustee appointed by the Bankruptcy Court to represent 3dfx's bankruptcy estate served his complaint on NVIDIA. The Trustee's complaint asserted claims for, among other things, successor liability and fraudulent transfer and sought additional payments from us. In early November 2005, NVIDIA and the Official Committee of Unsecured Creditors, or the Creditors' Committee, agreed to a Plan of Liquidation of 3dfx, which included a conditional settlement of the Trustee's claims against us. This conditional settlement was subject to a confirmation process through a vote of creditors and the review and approval of the Bankruptcy Court. The conditional settlement called for a payment by NVIDIA of approximately $30.6 million to the 3dfx estate. Under the settlement, $5.6 million related to various administrative expenses and Trustee fees, and $25.0 million related to the satisfaction of debts and liabilities owed to the general unsecured creditors of 3dfx. Accordingly, during the three month period ended October 30, 2005, we recorded $5.6 million as a charge to settlement costs and $25.0 million as additional purchase price for 3dfx. The Trustee advised that he intended to object to the settlement.

The conditional settlement reached in November 2005 never progressed through the confirmation process and the Trustee's case still remains pending appeal. As such, we have not reversed the accrual of $30.6 million - $5.6 million as a charge to settlement costs and $25.0 million as additional purchase price for 3dfx – that we recorded during the three months ended October 30, 2005, pending resolution of the appeal of the Trustee's case.

The 3dfx asset purchase price of $95.0 million and $4.2 million of direct transaction costs were allocated based on fair values presented below. The final allocation of the purchase price of the 3dfx assets is contingent upon the outcome of all of the 3dfx litigation. Please refer to Note 12 of these Notes to the Condensed Consolidated Financial Statements for further information regarding this litigation.

	Fair Market Value	Straight-Line Amortization Period
	(In thousands)	(In years)
Property and equipment	$2,433	1-2
Trademarks	11,310	5
Goodwill	85,418	—
Total	$99,161	

Note 8- Business Combinations

On June 10, 2011, we completed the acquisition of Icera, Inc. by acquiring all issued and outstanding preferred and common shares in exchange for cash. Icera develops baseband processors for 3G and 4G cellular phones and tablets. In addition to leveraging on the existing Icera business, the objective of the acquisition is to accelerate and enhance the combination of our application processor with Icera's baseband processor for use in mobile devices such as smartphones and tablets.

Total consideration to acquire Icera was $352.2 million in cash. All existing Icera equity based incentive plans were terminated upon the completion of the acquisition. In connection with the acquisition of Icera, we established a retention program in the aggregate amount of approximately $68.0 million to be paid out to Icera employees over a period of four years.

The allocation of purchase consideration to assets and liabilities is not yet finalized. We continue to evaluate the fair value of certain assets and liabilities related to the acquisition of Icera. Additional information, which existed as of the acquisition date but was at that time unknown to us, may become known to us during the remainder of the measurement period, a period not to exceed twelve months from the acquisition date. Changes to amounts recorded as assets or liabilities may result in a corresponding adjustment to goodwill.

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The preliminary fair values of the assets acquired and liabilities assumed by major class in the acquisition of Icera were recognized as follows (in thousands):

Cash	$3,315
Accounts receivable	13,740
Inventory	13,510
Prepaid and other current assets	1,972
Deferred tax assets	13,036
Property, plant and equipment	3,649
Goodwill	271,186
Intangible assets	97,515
Other assets	591
Total assets acquired	418,514
Accounts payable	(6,026)
Accrued liabilities	(38,735)
Notes payable	(10,319)
Income taxes payable	(4,558)
Deferred income tax liabilities	(6,677)
Net assets acquired	$352,199

The goodwill of $271.2 million arising from the acquisition is primarily attributed to the assembled workforce of Icera and premium paid over net assets acquired. Goodwill recognized is not expected to be deductible for tax purposes. We have determined that goodwill from the acquisition of Icera should be allocated to our Consumer Products Business, or CPB, operating segment. In addition, revenue contribution from Icera was not significant for the first three months of fiscal year 2013.

The acquisition-related intangible assets assumed from the acquisition of Icera were recognized as follows based upon their fair values as of June 10, 2011:

Intangible assets	Fair Value	Weighted-average estimated useful lives
	(In thousands)	(In years)
Technology	$58,300	7.4
In-process technology	$20,200	indefinite
Customer relationships	$18,200	6.8

Technology

Technology consists of core technology and existing technology. Core technology represents a series of processes and trade secrets that are used in Icera's products and form a major part of the architecture of both the current products and planned future releases of current products. We used a profit allocation method to value the core technology of Icera, based on market royalties for similar fundamental technologies. The profit allocation method estimates the cost savings that accrue to the owner of an intangible asset that would otherwise be payable on revenues earned through the use of the asset. The royalty rate we used was based on an analysis of empirical, market-derived royalty rates for guideline intangible assets. Revenue was projected over the expected remaining useful life of the core technology and then the market-derived royalty rate was applied to estimate the royalty savings.

Existing technology is specific to certain products acquired that have also passed technological feasibility. We used an income approach to value Icera's existing technology. Using this approach, we calculated the estimated fair value using expected future cash flows from specific products discounted to their net present values at an appropriate risk-adjusted rate of return.

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In-Process Technology

In-process technology, or IPR&D, represents the fair values of incomplete Icera research and development projects that had not reached technological feasibility as of the date of acquisition. In the future, the fair value of each project at the acquisition date will be either amortized or impaired depending on whether the projects are completed or abandoned.

The fair value of the IPR&D was determined using the income approach. Under the income approach, the expected future cash flows from each project under development was estimated and discounted to their net present values at an appropriate risk-adjusted rate of return. Significant factors considered in the calculation of the rate of return were the weighted average cost of capital, the return on assets, as well as the risks inherent in the development process, including the likelihood of achieving technological success and market acceptance. Each project was analyzed to determine the unique technological innovations, the existence and reliance on core technology, the existence of any alternative future use or current technological feasibility, and the complexity, cost and time to complete the remaining development. Future cash flows for each project were estimated based on forecasted revenue and costs, taking into account the expected product life cycles, market penetration and growth rates.

Customer Relationships

Customer relationships represent the fair value of projected cash flows that will be derived from the sale of products to Icera's existing customers based on existing, in-process, and future versions of the underlying technology.

Note 9 - Intangible Assets

The components of our amortizable intangible assets are as follows:

	April 29, 2012			January 29, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(In thousands)					
Technology licenses	$357,868	$(110,691)	$247,177	$319,930	$(99,302)	$220,628
Acquisition-related intangible assets	172,039	(83,593)	88,446	172,039	(79,261)	92,778
Patents	48,403	(20,631)	27,772	32,456	(19,726)	12,730
Total intangible assets	$578,310	$(214,915)	$363,395	$524,425	$(198,289)	$326,136

The increase in gross carrying amount of intangible assets is primarily due to an agreement entered into during the quarter to acquire a patent portfolio for our mobile business.

Amortization expense associated with intangible assets for the three months ended April 29, 2012 was $16.6 million. Amortization expense associated with intangible assets for the three months ended May 1, 2011 was $10.9 million. Amortization expense increased compared to the prior year primarily due to the addition of acquisition-related intangible assets from the Icera acquisition completed on June 10, 2011. Please refer to Note 8 of these Notes to Condensed Consolidated Financial Statements for further information regarding the Icera business combination. Future amortization expense related to the net carrying amount of intangible assets at April 29, 2012 is estimated to be $50.6 million for the remainder of fiscal year 2013, $59.5 million in fiscal year 2014, $59.5 million in fiscal year 2015, $57.3 million in fiscal year 2016, $48.0 million in fiscal year 2017 and a total of $88.5 million in fiscal year 2018 and fiscal years subsequent to fiscal year 2018.

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Note 10 - Balance Sheet Components

Certain balance sheet components are as follows:

	April 29, 2012	January 29, 2012
Inventories:	(In thousands)	
Raw materials	$108,589	$84,927
Work in-process	82,779	62,934
Finished goods	151,339	192,436
Total inventories	$342,707	$340,297

At April 29, 2012, we had outstanding inventory purchase obligations totaling approximately $594.8 million.

	April 29, 2012	January 29, 2012
Prepaid Expenses and Other:	(In thousands)	
Prepaid maintenance	$16,375	$12,965
Prepaid insurance	4,537	3,502
Prepaid taxes	57,369	10,069
Prepaid rent	2,606	3,410
Other	16,624	19,465
Total prepaid expenses and other	$97,511	$49,411

	April 29, 2012	January 29, 2012
	(In thousands)	
Accrued Liabilities:		
Deferred revenue	$272,367	$270,649
Accrued customer programs (1)	143,099	143,972
Warranty accrual (2)	17,070	18,406
Accrued payroll and related expenses	51,943	88,879
Accrued legal settlement (3)	30,600	30,600
Taxes payable, short- term	9,068	6,941
Other	27,679	35,439
Total accrued liabilities and other	$551,826	$594,886

(1) Please refer to Note 1 of these Notes to Condensed Consolidated Financial Statements for discussion regarding the nature of accrued customer programs and their accounting treatment related to our revenue recognition policies and estimates.
(2) Please refer to Note 11 of these Notes to Condensed Consolidated Financial Statements for discussion regarding the warranty accrual.
(3) Please refer to Note 12 of these Notes to Condensed Consolidated Financial Statements for discussion regarding the 3dfx litigation.

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	April 29, 2012	January 29, 2012
	(In thousands)	
Other Long-Term Liabilities:		
Deferred income tax liability	$133,004	$133,288
Income taxes payable, long term	108,281	63,007
Asset retirement obligation	10,321	10,199
Deferred revenue	134,338	200,370
Other long-term liabilities	66,561	48,943
Total other long-term liabilities	$452,505	$455,807

Note 11 - Guarantees

U.S. GAAP requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee. In addition, U.S. GAAP requires disclosures about the guarantees that an entity has issued, including a tabular reconciliation of the changes of the entity's product warranty liabilities.

Accrual for Product Warranty Liabilities
We record a reduction to revenue for estimated product returns at the time revenue is recognized primarily based on historical return rates. Cost of revenue includes the estimated cost of product warranties. Under limited circumstances, we may offer an extended limited warranty to customers for certain products. Additionally, we accrue for known warranty and indemnification issues if a loss is probable and can be reasonably estimated. The estimated product warranty liabilities for the three months ended April 29, 2012 and May 1, 2011 were as follows:

	Three Months Ended	
	April 29, 2012	May 1, 2011
	(In thousands)	
Balance at beginning of period (1)	$18,406	$107,896
Additions	1,679	1,406
Deductions (2)	(3,015)	(28,578)
Balance at end of period	$17,070	$80,724

(1) Includes $13.2 million and $103.7 million related to warranty accrual associated with incremental repair and replacement costs from a weak die/packaging material set for the three months ended April 29, 2012 and May 1, 2011, respectively.

(2) Includes $1.2 million and $23.4 million for the three months ended April 29, 2012 and May 1, 2011, respectively, in payments related to the warranty accrual associated with incremental repair and replacement costs from a weak die/packaging material set.

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 indemnification provisions in our technology related agreements with third parties. Maximum potential future payments cannot be estimated because many of these agreements do not have a maximum stated liability. As such, we have not recorded any liability in our Condensed Consolidated Financial Statements for such indemnifications.

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Note 12 - Commitments and Contingencies

3dfx

On December 15, 2000, NVIDIA and one of our indirect subsidiaries entered into an Asset Purchase Agreement, or APA, to purchase certain graphics chip assets from 3dfx. The transaction closed on April 18, 2001. That acquisition, and 3dfx's October 2002 bankruptcy filing, led to four lawsuits against NVIDIA: two brought by 3dfx's former landlords, one by 3dfx's bankruptcy trustee and the fourth by a committee of 3dfx's equity security holders in the bankruptcy estate. The two landlord cases have been settled with payments from the landlords to NVIDIA, and the equity security holders lawsuit was dismissed with prejudice and no appeal was filed. Accordingly, only the bankruptcy trustee suit remains outstanding as more fully explained below.

In March 2003, the Trustee appointed by the Bankruptcy Court to represent 3dfx's bankruptcy estate served a complaint on NVIDIA asserting claims for, among other things, successor liability and fraudulent transfer and seeking additional payments from us. The Trustee's fraudulent transfer theory alleged that NVIDIA had failed to pay reasonably equivalent value for 3dfx's assets, and sought recovery of the difference between the $70 million paid and the alleged fair value, which the Trustee estimated to exceed $50 million. The Trustee's successor liability theory alleged NVIDIA was effectively 3dfx's legal successor and therefore was responsible for all of 3dfx's unpaid liabilities.

On October 13, 2005, the Bankruptcy Court heard the Trustee's motion for summary adjudication, and on December 23, 2005, denied that motion in all material respects and held that NVIDIA may not dispute that the value of the 3dfx transaction was less than $108 million. The Bankruptcy Court denied the Trustee's request to find that the value of the 3dfx assets conveyed to NVIDIA was at least $108 million.

In early November 2005, after several months of mediation, NVIDIA and the Official Committee of Unsecured Creditors, or the Creditors' Committee, agreed to a Plan of Liquidation of 3dfx, which included a conditional settlement of the Trustee's claims against us. This conditional settlement was subject to a confirmation process through a vote of creditors and the review and approval of the Bankruptcy Court. The conditional settlement called for a payment by NVIDIA of approximately $30.6 million to the 3dfx estate. Under the settlement, $5.6 million related to various administrative expenses and Trustee fees, and $25.0 million related to the satisfaction of debts and liabilities owed to the general unsecured creditors of 3dfx. Accordingly, during the three month period ended October 30, 2005, we recorded $5.6 million as a charge to settlement costs and $25.0 million as additional purchase price for 3dfx. The Trustee advised that he intended to object to the settlement. The conditional settlement never progressed substantially through the confirmation process.

On December 21, 2006, the Bankruptcy Court scheduled a trial for one portion of the Trustee's case against NVIDIA. On January 2, 2007, NVIDIA terminated the settlement agreement on grounds that the Bankruptcy Court had failed to proceed toward confirmation of the Creditors' Committee's plan. A non-jury trial began on March 21, 2007 on valuation issues in the Trustee's constructive fraudulent transfer claims against NVIDIA. Specifically, the Bankruptcy Court tried four questions: (1) what did 3dfx transfer to NVIDIA in the APA; (2) of what was transferred, what qualifies as “property” subject to the Bankruptcy Court's avoidance powers under the Uniform Fraudulent Transfer Act and relevant bankruptcy code provisions; (3) what is the fair market value of the “property” identified in answer to question (2); and (4) was the $70 million that NVIDIA paid “reasonably equivalent” to the fair market value of that property. The parties completed post-trial briefing on May 25, 2007.

On April 30, 2008, the Bankruptcy Court issued its Memorandum Decision After Trial, in which it provided a detailed summary of the trial proceedings and the parties' contentions and evidence and concluded that “the creditors of 3dfx were not injured by the Transaction.” This decision did not entirely dispose of the Trustee's action, however, as the Trustee's claims for successor liability and intentional fraudulent conveyance were still pending. On June 19, 2008, NVIDIA filed a motion for summary judgment to convert the Memorandum Decision After Trial to a final judgment. That motion was granted in its entirety and judgment was entered in NVIDIA's favor on September 11, 2008. The Trustee filed a Notice of Appeal from that judgment on September 22, 2008, and on September 25, 2008, NVIDIA exercised its election to have the appeal heard by the United States District Court.

The District Court's hearing on the Trustee's appeal was held on June 10, 2009. On December 20, 2010, the District Court issued an Order affirming the Bankruptcy Court's entry of summary judgment in NVIDIA's favor. On January 19, 2011, the Trustee filed a Notice of Appeal to the United States Court of Appeals for the Ninth Circuit.

While the conditional settlement reached in November 2005 never progressed through the confirmation process, the Trustee's case still remains pending on appeal. Accordingly, we have not reversed the accrual of $30.6 million - $5.6 million as a charge to settlement costs and $25.0 million as additional purchase price for 3dfx - that we recorded during the three months ended

October 30, 2005, pending resolution of the appeal of the Trustee's case.

Rambus Inc.

On July 10, 2008, Rambus Inc. filed suit against NVIDIA, asserting patent infringement of 17 patents claimed to be owned by Rambus. Rambus sought damages, enhanced damages and injunctive relief. The lawsuit was filed in the Northern District of California in San Jose, California. On July 11, 2008, NVIDIA filed suit against Rambus in the Middle District of North Carolina asserting numerous claims, including antitrust and other claims. NVIDIA sought damages, enhanced damages and injunctive relief. Rambus subsequently dropped two patents from its lawsuit in the Northern District of California. The two cases were consolidated into a single proceeding in the San Francisco division of the Northern District of California. On April 13, 2009, the Court issued an order staying motion practice and allowing only certain document discovery to proceed. On February 11, 2011, the Court lifted the stay and ordered that discovery on other issues could proceed. The Court thereafter opened motion practice and discovery with respect to ten patents, referred to as the “Farmwald” and “Barth II” patents. Most of the “Farmwald” patents were also subject to patent reexamination requests.

On November 6, 2008, Rambus filed a complaint alleging a violation of 19 U.S.C. Section 1337 based on a claim of patent infringement of nine Rambus patents against NVIDIA and 14 other respondents with the U.S. International Trade Commission, or ITC. Rambus subsequently withdrew four of the nine patents at issue. The complaint sought an exclusion order barring the importation of products that allegedly infringe the now five Rambus patents. The ITC instituted the investigation and a hearing was held October 13-20, 2009. The Administrative Law Judge issued an Initial Determination on January 22, 2010, which found the asserted claims of two patents in one patent family infringed but invalid, and the asserted claims of three patents in a separate patent family, valid, infringed and enforceable. This decision was reviewed by the ITC. The ITC issued a Final Decision on July 26, 2010. In its Final Decision, the ITC found that NVIDIA infringed three related patents and issued a limited exclusion order prohibiting import of certain NVIDIA products. NVIDIA appealed certain aspects of the ruling that were unfavorable to NVIDIA. Rambus also appealed certain aspects of the ruling that were unfavorable to Rambus. A hearing was held on October 6, 2011 and a decision regarding the appeal has not yet been issued.

On May 13, 2011, the Federal Circuit issued opinions in two related cases that addressed issues material to the disputes between Rambus and certain other parties in the ITC. Those opinions could have positively affected NVIDIA's defenses in all of the cases brought against NVIDIA by Rambus. In those opinions, the Federal Circuit held Rambus destroyed documents when it had a legal duty to preserve them and that, if done in bad faith, Rambus is to bear the “heavy burden” to prove that NVIDIA suffered no prejudice in its ability to defend the cases brought against it by Rambus. In the ITC's Final Decision, despite finding Rambus acted in bad faith, the ITC incorrectly placed the burden on NVIDIA to prove actual prejudice. The Federal Circuit remanded both cases to the respective district courts for further proceedings consistent with its opinions.

NVIDIA also sought reexamination of the patents asserted in the ITC, as well as other patents, in the United States Patent and Trademark Office, or USPTO. With respect to the claims asserted in the ITC, the USPTO issued a preliminary ruling invalidating many of the claims. The USPTO issued "Right to Appeal Notices" for the three patents found by the administrative law judge to be valid, enforceable and infringed. In the Right to Appeal Notices, the USPTO Examiner cancelled all asserted claims of one of the patents and allowed the asserted claims on the other two patents. Rambus and NVIDIA both sought review of the USPTO Examiner's adverse findings. On appeal, the Board of Patent Appeals and Interferences found the relevant claims of the three asserted “Barth I” patents subject to reexamination invalid.

Rambus has also been subject to an investigation in the European Union. NVIDIA was not a party to that investigation, but sought to intervene in the appeal of the investigation. As a result of Rambus' commitments to resolve that investigation, for a period of five years from the date of the resolution, Rambus must provide a license to memory controller manufacturers, sellers and/or companies that integrate memory controllers into other products. The license terms are set forth in a license made available on Rambus' website, or the Required Rambus License. On August 12, 2010, we entered into the Required Rambus License. Pursuant to the agreement, Rambus charges a royalty of (i) one percent of the net sales price per unit for certain memory controllers and (ii) two percent of the net sales price per unit for certain other memory controllers, provided that the maximum average net sales price per unit for these royalty bearing products shall be deemed not to exceed a maximum of $20. The agreement has a term until December 9, 2014. However, NVIDIA may terminate the agreement with thirty days prior written notice to Rambus. NVIDIA has already provided written notice to Rambus of its' intent to terminate effective immediately upon the removal of the ITC's limited exclusion order.

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On December 1, 2010, Rambus filed a lawsuit against NVIDIA and several other companies alleging six claims for patent infringement. This lawsuit was brought in the Northern District of California and sought damages, enhanced damages and injunctive relief. On the same day, Rambus filed a complaint with the ITC alleging that NVIDIA and several other companies violated 19 U.S.C. Section 1337 based on a claim of patent infringement of three Rambus patents. Rambus sought exclusion of certain NVIDIA products from importation into the United States. The Northern District of California stayed the case pending resolution of the ITC investigation. The asserted patents are related to each other, and the three patents in the ITC complaint were also at issue in the lawsuit pending in the Northern District of California. Many of the patents at issue in these lawsuits were also being challenged in Rambus' other disputes with NVIDIA. A hearing before an Administrative Law Judge of the ITC was held from October 12-20, 2011, and no ruling has been issued to date.

On February 7, 2012, NVIDIA and Rambus entered into a settlement agreement and a patent license agreement. The two agreements resolve all disputes between NVIDIA and Rambus. The parties are in the process of dismissing all lawsuits, appeals, and ITC actions to the maximum extent allowable by law. The settlement did not have a significant impact on NVIDIA's consolidated financial statements.

Product Defect Litigation and Securities Cases

Product Defect Litigation

In September, October and November 2008, several putative consumer class action lawsuits were filed against us, asserting various claims arising from a weak die/packaging material set in certain versions of our previous generation products used in notebook configurations. On February 26, 2009, the various lawsuits were consolidated in the United States District Court for the Northern District of California, San Jose Division, under the caption "The NVIDIA GPU Litigation." On March 2, 2009, several of the parties filed motions for appointment of lead counsel and briefs addressing certain related issues. On April 10, 2009, the District Court appointed Milberg LLP lead counsel. On May 6, 2009, the plaintiffs filed an Amended Consolidated Complaint, alleging claims for violations of California Business and Professions Code Section 17200, Breach of Implied Warranty under California Civil Code Section 1792, Breach of the Implied Warranty of Merchantability under the laws of 27 other states, Breach of Warranty under the Magnuson-Moss Warranty Act, Unjust Enrichment, violations of the New Jersey Consumer Fraud Act, Strict Liability and Negligence, and violation of California's Consumer Legal Remedies Act.

On August 19, 2009, we filed a motion to dismiss the Amended Consolidated Complaint, and the Court heard arguments on that motion on October 19, 2009. On November 19, 2009, the Court issued an order dismissing with prejudice plaintiffs causes of action for Breach of the Implied Warranty under the laws of 27 other states and unjust enrichment, dismissing with leave to amend plaintiffs' causes of action for Breach of Implied Warranty under California Civil Code Section 1792 and Breach of Warranty under the Magnuson-Moss Warranty Act, and denying NVIDIA's motion to dismiss as to the other causes of action. The Court gave plaintiffs until December 14, 2009 to file an amended complaint. On December 14, 2009, plaintiffs filed a Second Amended Consolidated Complaint, asserting claims for violations of California Business and Professions Code Section 17200, Breach of Implied Warranty under California Civil Code Section 1792, Breach of Warranty under the Magnuson-Moss Warranty Act, violations of the New Jersey Consumer Fraud Act, Strict Liability and Negligence, and violation of California's Consumer Legal Remedies Act. The Second Amended Complaint seeks unspecified damages. On January 19, 2010, we filed a motion to dismiss the Breach of Implied Warranty under California Civil Code Section 1792, Breach of Warranty under the Magnuson-Moss Warranty Act, and California's Consumer Legal Remedies Act claims in the Second Amended Consolidated Complaint. In addition, on April 1, 2010, Plaintiffs filed a motion to certify a class consisting of all people who purchased computers containing certain of our MCP and GPU products. On May 3, 2010, we filed an opposition to Plaintiffs' motion for class certification. A hearing on both motions was held on June 14, 2010.

On July 16, 2010, the parties filed a stipulation with the District Court advising that, following mediation they had reached a settlement in principle in The NVIDIA GPU Litigation. The settlement in principle was subject to certain approvals, including final approval by the court. As a result of the settlement in principle, and the other estimated settlement, and offsetting insurance reimbursements, NVIDIA recorded a net charge of $12.7 million to sales, general and administrative expense during the second quarter of fiscal year 2011. In addition, a portion of the $181.2 million of additional charges we recorded against cost of revenue related to the weak die/packaging set during the second quarter of fiscal year 2011, relates to estimated additional repair and replacement costs related to the implementation of these settlements. On August 12, 2010, the parties executed a Stipulation and Agreement of Settlement and Release. On September 15, 2010, the Court issued an order granting preliminary approval of the settlement and providing for notice to the potential class members. The Final Approval Hearing was held on December 20, 2010, and on that same day the Court approved the settlement and entered Final Judgment over several objections. In January 2011, several objectors filed Notices of Appeal of the Final Judgment to the United States Court of Appeals for the Ninth Circuit.

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On July 22, 2011, a putative class action titled Granfield v. NVIDIA Corp. was filed in federal court in Massachusetts asserting claims for breach of implied warranties arising out of the weak die/packaging material set, on behalf of a class of consumers alleged to not be covered by the settlement approved by the California court in The NVIDIA GPU Litigation. On November 3, 2011 the action was transferred to the Northern District of California, San Francisco Division, based upon stipulation of the parties. On December 30, 2011, Plaintiff filed a First Amended Complaint asserting claims for violation of California Consumers Legal Remedies Act and Unfair Competition Law. On March 19, 2012, Plaintiff filed a Second Amended Complaint asserting claims for California Consumers Legal Remedies Act and Unfair Competition Law violations, Breach of Implied Warranty, and violations of the Massachusetts consumer protection statutes. NVIDIA filed a motion to dismiss the Second Amended Complaint on April 12, 2012.

On September 27, 2011, a second putative class action captioned Van der Maas v. NVIDIA Corp., et al., was filed in the Central District of California against NVIDIA, Asustek Computer Inc., and Asustek Computer International on behalf of certain consumers alleged not to be covered by the NVIDIA GPU settlement. This action asserted claims for violations of California's unfair competition laws, violation of California's Consumer Legal Remedies Act, negligence and strict liability, and violation of the Texas Business and Commerce Code Section 17.50. On March 16, 2012, after Plaintiffs reached a settlement agreement with NVIDIA, Asustek Computer, Inc. and Asustek Computer International, Plaintiffs filed a notice of dismissal, and the Court dismissed the action on March 19, 2012.

Securities Cases

In September 2008, three putative securities class actions, or the Actions, were filed in the United States District Court for the Northern District of California arising out of our announcements on July 2, 2008, that we would take a charge against cost of revenue to cover anticipated costs and expenses arising from a weak die/packaging material set in certain versions of our previous generation MCP and GPU products and that we were revising financial guidance for our second quarter of fiscal year 2009. The Actions purport to be brought on behalf of purchasers of NVIDIA stock and assert claims for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, or the Securities Exchange Act. On October 30, 2008, the Actions were consolidated under the caption In re NVIDIA Corporation Securities Litigation, Civil Action No. 08-CV-04260-JW (HRL). Lead Plaintiffs and Lead Plaintiffs' Counsel were appointed on December 23, 2008. On February 6, 2009, co-Lead Plaintiff filed a Writ of Mandamus with the Ninth Circuit Court of Appeals challenging the designation of co-Lead Plaintiffs' Counsel. On February 19, 2009, co-Lead Plaintiff filed with the District Court, a motion to stay the District Court proceedings pending resolution of the Writ of Mandamus by the Ninth Circuit. On February 24, 2009, Judge Ware granted the stay. On November 5, 2009, the Court of Appeals issued an opinion reversing the District Court's appointment of one of the lead plaintiffs' counsel, and remanding the matter for further proceedings. On December 8, 2009, the District Court appointed Milberg LLP and Kahn Swick & Foti, LLC as co-lead counsel.

On January 22, 2010, Plaintiffs filed a Consolidated Amended Class Action Complaint for Violations of the Federal Securities Laws, asserting claims for violations of Section 10(b), Rule 10b-5, and Section 20(a) of the Securities Exchange Act. The consolidated complaint sought unspecified compensatory damages. We filed a motion to dismiss the consolidated complaint in March 2010 and a hearing was held on June 24, 2010 before Judge Seeborg. On October 19, 2010, Judge Seeborg granted our motion to dismiss with leave to amend. On December 2, 2010, co-Lead Plaintiffs filed a Second Consolidated Amended Complaint. We moved to dismiss the Second Consolidated Amended Complaint on February 14, 2011. Following oral argument, on October 12, 2011, Judge Seeborg granted our motion to dismiss without leave to amend, and on November 8, 2011, Plaintiffs filed a Notice of Appeal to the Ninth Circuit.

Accounting for Loss Contingencies

While there can be no assurance of favorable outcomes, we believe the claims made by other parties in the above ongoing matters are without merit and we intend to vigorously defend the actions. With the exception of the 3dfx and product defect litigation cases, we have not recorded any accrual for contingent liabilities associated with the legal proceedings described above based on our belief that liabilities, while possible, are not probable. Further, any possible range of loss in these matters cannot be reasonably estimated at this time. We are engaged in other legal actions not described above arising in the ordinary course of its business and, while there can be no assurance of favorable outcomes, we believe that the ultimate outcome of these actions will not have a material adverse effect on our operating results, liquidity or financial position.

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

Note 13 - Stockholders' Equity

Stock Repurchase Program

Our Board of Directors has authorized us, subject to certain specifications, to repurchase shares of our common stock up to an aggregate maximum amount of $2.7 billion through May 2013. The repurchases will be made from time to time in the open market, in privately negotiated transactions, or in structured stock repurchase programs, and may be made in one or more larger repurchases, in compliance with Rule 10b-18 of the Securities Exchange Act, subject to market conditions, applicable legal requirements, and other factors. The program does not obligate NVIDIA to acquire any particular amount of common stock and the program may be suspended at any time at our discretion. As part of our share repurchase program, we have entered into, and we may continue to enter into, structured share repurchase transactions with financial institutions. These agreements generally require that we make an up-front payment in exchange for the right to receive a fixed number of shares of our common stock upon execution of the agreement, and a potential incremental number of shares of our common stock, within a pre-determined range, at the end of the term of the agreement.

We did not enter into any structured share repurchase transactions or otherwise purchase any shares of our common stock during the three months ended April 29, 2012. Through April 29, 2012, we have repurchased an aggregate of 90.9 million shares under our stock repurchase program for a total cost of $1.46 billion. As of April 29, 2012, we are authorized, subject to certain specifications, to repurchase shares of our common stock up to $1.24 billion through May 2013.

Convertible Preferred Stock

As of April 29, 2012 and January 29, 2012, there were no shares of preferred stock outstanding.

Common Stock

We are authorized to issue up to 2,000,000,000 shares of our common stock at $0.001 per share par value.

Note 14 - Segment Information

Our Chief Executive Officer, who is considered to be our chief operating decision maker, or CODM, reviews financial information presented on an operating segment basis for purposes of making operating decisions and assessing financial performance. We report financial information for three operating segments to our CODM: Graphics Processing Unit, or GPU, Business; Professional Solutions Business, or PSB; and Consumer Products Business, or CPB. The GPU business is comprised of our desktop, notebook, memory and chipset products. Our GPU business also includes license revenue in connection with our patent cross license agreement with Intel. The PSB includes Quadro workstation graphics and Tesla high-performance computing products. The CPB is comprised of Tegra based smartphone and tablet products as well as Icera baseband processors and radio frequency, or RF, transceivers. Our CPB also includes embedded products for entertainment and automotive devices as well as license and royalty revenue associated with game consoles.
In addition to these operating segments, we also have an "All Other" category that includes non-recurring charges and benefits which we do not allocate to our operating segments as these items are not included in the segment operating performance measures evaluated by our CODM. There were no non-recurring charges or benefits for the three months

ended April 29, 2012 and May 1, 2011, respectively.

Our CODM does not review any information regarding total assets on an operating segment basis. Operating segments do not record intersegment revenue, and, accordingly, there is none to be reported. The accounting policies for segment reporting are the same as for NVIDIA as a whole.

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

	GPU	PSB	CPB	All Other	Consolidated
	(In thousands)				
Three Months Ended April 29, 2012					
Revenue	$579,721	$212,644	$132,512	$—	$924,877
Depreciation and amortization expense	$31,575	$4,385	$18,531	$—	$54,491
Operating income (loss)	$78,947	$95,787	$(101,908)	$—	$72,826
Three Months Ended May 1, 2011					
Revenue	$637,589	$201,841	$122,609	$—	$962,039
Depreciation and amortization expense	$29,028	$6,118	$12,618	$—	$47,764
Operating income (loss)	$120,283	$69,885	$(35,306)	$—	$154,862

Revenue by geographic region is allocated to individual countries based on the location to which the products are initially billed even if our customers' revenue is attributable to end customers that are located in a different location. The following tables summarize information pertaining to our revenue from customers based on invoicing address in different geographic regions:

	Three Months Ended	
	April 29, 2012	May 1, 2011
	(In thousands)	
Revenue:		
China	$178,610	