FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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NVIDIA CORP/CA

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SIC: **3674** Semiconductors & related devices

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 1, 1999

OR

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

For the transition period from ____________ to ____________.

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.)

3535 Monroe Street
Santa Clara, California 95051
(408) 615-2500
(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 been subject to such filing requirements for the past 90 days. Yes [X] No [_]

The number of shares of the registrant's common stock outstanding as of August 29, 1999 was 29,558,130 shares.

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NVIDIA CORPORATION

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PART I: FINANCIAL INFORMATION

Item 1. Condensed Financial Statements (unaudited)

NVIDIA CORPORATION

CONDENSED BALANCE SHEETS
(In thousands)
(Unaudited)

<TABLE>
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<S>	August 1, 1999 <C>	January 31, 1999 <C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 46,757	$ 50,257
Accounts receivable, less allowances of $3,338 at August 1, 1999 and $2,627 at January 31, 1999	50,179	20,633
Inventory	8,441	28,623
Prepaid expenses and other current assets	2,746	1,599
Total current assets	108,123	101,112
Property and equipment, net	22,742	11,650
Deposits and other assets	3,538	570
	$ 134,403	$ 113,332
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 34,779	$ 35,730
Line of credit	--	5,000
Accrued liabilities	8,452	5,012
Current portion of capital lease obligations	1,766	1,386
Total current liabilities	44,997	47,128
Capital lease obligations, less current portion	942	1,995
Long-term payable	6,000	--
Stockholders' equity:		
Common stock	29	29
Additional paid-in capital	79,228	74,372
Deferred compensation	(328)	(780)
Retained earnings (accumulated deficit)	3,535	(9,412)
Total stockholders' equity	82,464	64,209
	$ 134,403	$ 113,332

</TABLE>

See accompanying notes to condensed financial statements.

NVIDIA CORPORATION

CONDENSED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

<TABLE>
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<S>	Three Months Ended August 1, 1999 <C>	Three Months Ended July 26, 1998 <C>	Six Months Ended August 1, 1999 <C>	Six Months Ended July 26, 1998 <C>
Revenue:				
Product	$ 78,017	$ 10,963	$ 149,035	$ 35,605
Royalty	--	1,171	--	4,792
Total revenue.................................	78,017	12,134	149,035	40,397
Cost of revenue...	49,625	12,961	95,571	33,834
Gross profit (loss)....................................	28,392	(827)	53,464	6,563
Operating expenses:				
Research and development............................	10,813	5,724	19,598	10,366
Sales, general and administrative....................	8,116	3,962	15,400	7,847
Total operating expenses.......................	18,929	9,686	34,998	18,213
Operating income (loss)................................	9,463	(10,513)	18,466	(11,650)
Interest and other income, net..........................	369	22	711	49
Income (loss) before income tax expense (benefit)........	9,832	(10,491)	19,177	(11,601)
Income tax expense (benefit)...........................	3,146	(839)	6,230	(928)
Net income (loss)......................................	$ 6,686	$ (9,652)	$ 12,947	$ (10,673)
Basic net income (loss) per share.......................	$ 0.23	$ (0.68)	$ 0.44	$ (0.75)
Diluted net income (loss) per share.....................	$ 0.19	$ (0.68)	$ 0.37	$ (0.75)
Shares used in basic per share computation..............	29,344	14,148	29,310	14,145
Shares used in diluted per share computation............	35,455	14,148	35,455	14,145

</TABLE>

See accompanying notes to condensed financial statements.

NVIDIA CORPORATION

CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

<TABLE>
<CAPTION>

<S>	Six Months Ended August 1, 1999 <C>	Six Months Ended July 26, 1998 <C>
Cash flows from operating activities:		
Net income (loss)..	$ 12,947	$ (10,673)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation...	3,640	1,737
Amortization of deferred compensation......................	452	1,665
Stock options granted in exchange of services..............	4	--
Tax benefit from stock options exercised...................	503	--
Changes in operating assets and liabilities:		
Accounts receivable....................................	(36,998)	12,326
Inventory..	20,182	(2,514)
Prepaid expenses and other current assets..............	(1,147)	(831)
Deposit and other current assets.......................	(2,968)	(327)
Accounts payable.......................................	(951)	(847)
Accrued liabilities....................................	3,441	(168)
Long-term payable......................................	1,000	--
Net cash provided by operating activities......................	105	368
Cash flows used in investing activities-		

purchases of property and equipment	(4,716)	(3,243)
Cash flows from financing activities:		
Payments under line of credit	(5,000)	--
Issuance of mandatorily convertible notes	--	6,000
Common stock issued under stock option plans	990	26
Sale of common stock under public offering, net of issuance costs	5,810	--
Payments under capital leases	(689)	(727)
Net cash provided by (used in) financing activities	1,111	(5,299)
Change in cash and cash equivalents	(3,500)	2,424
Cash and cash equivalents at beginning of period	50,257	7,984
Cash and cash equivalents at end of period	$ 46,757	$ 10,408
Cash paid for interest	$ 133	$ 239
Cash paid for taxes	$ 8,803	$ --
Noncash financing and investing activities:		
Assets recorded under capital lease	$ 16	$ 2,159
Receipt of common stock in settlement of accounts receivable	$ (7,452)	$ --
Issuance of common stock in connection with long-term software license	$ 5,000	$ --
Liabilities assumed in connection with long-term software license	$ 5,000	$ --

</TABLE>

See accompanying notes to condensed financial statements.

NVIDIA CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(In thousands)

1. Basis of presentation

The accompanying condensed unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included. The results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period. The following information should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended January 31, 1999.

2. 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 outstanding during the period, using either the as-if-converted method for convertible preferred stock or the treasury stock method for options and warrants.

Pursuant to SEC Staff Accounting Bulletin No. 98, common stock and convertible preferred stock issued for nominal consideration and options and warrants granted for nominal consideration prior to the initial public offering (IPO) are included in the calculation of basic and diluted net income (loss) per share, as if they were outstanding for all periods presented. The following is a reconciliation of the denominators of the basic and diluted net income (loss) per share computations for the periods presented:

<TABLE>
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	Three Months Ended	Six Months Ended

(In thousands)

	August 1, 1999	July 26, 1998	August 1, 1999	July 26, 1998
Denominator:				
Denominator for basic net income (loss) per share - weighted-average shares................................	29,344	14,148	29,310	14,145
Effect of dilutive securities:				
Stock options outstanding.............................	5,718	--	5,878	--
Warrants..	141	--	141	--
Common stock issuable in connection with long-term software license......................................	252	--	126	--
Denominator for diluted net income (loss) per share.....	35,455	14,148	35,455	14,145

</TABLE>

As of July 26, 1998, 9,327,087 shares of convertible preferred stock, options to purchase 6,562,333 shares of common stock, and warrants to purchase 158,806 shares of common stock were outstanding. The effect of these common equivalent shares would have been anti-dilutive for the three-month and six-month periods ended July 26, 1998, and, as a result, such effect has been excluded from the computation of diluted net loss per share during these periods.

3. Comprehensive income

The Company had no other components of comprehensive income other than the reported amounts of net income (loss).

4. Inventory

<TABLE>
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	August 1, 1999	January 31, 1999
Work in-process...................	$ 3,455	$ 15,385
Finished goods....................	4,986	13,238
Total inventory.............	$ 8,441	$ 28,623

</TABLE>

At August 1, 1999, the Company had noncancelable inventory purchase commitments totaling $49.6 million.

5. New Accounting Pronouncement

In March 1998, the AICPA issued SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which provides guidance on accounting for the costs of computer software intended for internal use. Effective February 1, 1999, the Company adopted SOP 98-1. There was no material change to the Company's results of operations or financial position as a result of the adoption of SOP 98-1.

6. Segment information

The Company operates in a single industry segment: the design, development and marketing of 3D graphics processors for the personal computer (PC) market. The Company's chief operating decision maker, the Chief Executive Officer, reviews financial information presented on a consolidated basis for purposes of making operating decisions and assessing financial performance. The following table summarizes geographic information on net sales:

<TABLE>
<CAPTION>

	Three Months Ended		Six Months Ended	
	August 1, 1999	July 26, 1998	August 1, 1999	July 26, 1998

(In thousands)

<TABLE>

United States	$ 28,543	$ 12,096	$ 63,370	$ 40,359
Asia Pacific	41,585	38	72,906	38
Europe	7,889	--	12,759	--
Total revenue	78,017	12,134	149,035	40,397

</TABLE>

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

<TABLE>
<CAPTION>

	Three Months Ended		Six Months Ended	
	August 1, 1999	July 26, 1998	August 1, 1999	July 26, 1998
Sales				
Customer A	2%	78%	7%	60%
Customer B	24%	9%	25%	27%
Customer C	17%	--	18%	--
Customer E	20%	--	16%	--

</TABLE>

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	As of	
	August 1, 1999	January 31, 1999
Accounts receivable		
Customer A	1%	19%
Customer B	24%	28%
Customer C	17%	18%
Customer D	1%	14%
Customer E	18%	4%

</TABLE>

7. Long-term Software Licensing Agreement

On April 12, 1999, the Company entered into a $10.0 million five-year software licensing agreement with a supplier in the electronic design automation industry. Under this agreement, the $10.0 million is due in two installments. The first installment was settled in June 1999 for 243,902 shares of the Company's common stock valued at $5.0 million. The second installment is due on or before March 31, 2000 and may be settled in cash or in stock at the option of the Company.

8. Stock Repurchase Agreement

In June 1999, the Company repurchased 428,572 shares of the Company's common stock from a major customer in settlement for a portion of then outstanding accounts receivable, in the amount of $7.5 million.

9. Strategic Relationship and Patent License Agreements

On July 17, 1999, the Company entered into agreements with Silicon Graphics, Inc. (SGI) to create a broad strategic alliance to collaborate on future graphics technologies. As part of the Strategic Relationship Agreement, SGI has dismissed its patent infringement suit against the Company and the Company has licensed SGI's enabling 3D graphics patent portfolio. Additionally, SGI will incorporate the Company's graphics technology into new desktop graphics systems and transfer approximately 25 engineering personnel to the Company during the second half of fiscal 2000. In connection with the Patent License Agreement, the Company will pay SGI a total of $3.0 million in nine quarterly installments with the final payment due in May 2001.

10. Line of Credit Agreement

In July 1999, the Company entered into an amended loan and security agreement with a bank, which included a $10.0 million revolving credit facility with a borrowing base equal to 80% of eligible accounts. Borrowings under the line of credit bear interest at prime rate and are due in July 2000. Covenants governing the credit facility require the maintenance of certain financial ratios. As of August 1, 1999, the Company had no outstanding borrowings against the line of credit.

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-looking statements include but are not limited to: statements related to industry trends and future growth in the markets for 3D graphics processors; our product development efforts; the timing of our introduction of new products; industry and consumer acceptance of our products; and future profitability. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those in the forward-looking statements. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document. The business risks on pages 15 through 19, among other things, should be considered in evaluating our prospects and future financial performance.

Overview

We design, develop and market 3D graphics processors that provide high performance interactive 3D graphics to the mainstream PC market. Substantially all of our revenue in the six months ended August 1, 1999 and July 26, 1998 was derived from the sale and license of the RIVA family of graphics processors. In the first quarter of fiscal 2000, we began commercial shipment of the RIVA TNT2 family of graphics processors. We expect that substantially all of our revenue for the foreseeable future will be derived from the sale of our 3D graphics processors in the mainstream PC market. We recognize product sales revenue upon shipment, net of appropriate allowances. Our policy on sales to distributors is to defer recognition of sales and related gross profit until the distributors resell the product. Royalty revenue is generally recognized upon shipment of product to the licensee's customers. Currently, all of our product sales and our arrangements with third-party manufacturers provide for pricing and payment in U.S. dollars. We have not engaged in any foreign currency hedging activities, although we may do so in the future. Since we have no other product line, our business would suffer if for any reason our graphics processors do not achieve widespread acceptance in the mainstream PC market.

A majority of our sales have been to a limited number of customers and sales are highly concentrated. We sell graphics processors to add-in board manufacturers, primarily Creative Technology Ltd., Diamond Multimedia Systems, Inc. STB Systems, Inc. and ASUSTeK, and motherboard manufacturers such as Intel Corporation. These manufacturers incorporate our processors in the boards they sell to PC original equipment manufacturers ("OEMs"), retail outlets and systems integrators. The average selling prices ("ASPs") for our products, as well as our customers' products, vary by distribution channel. Sales to Diamond accounted for 24%, sales to Creative accounted for 17%, and sales to Edom Technology Co., Ltd. accounted for 20% of our total revenue for the second quarter ended August 1, 1999. For the first six months of fiscal 2000, sales to Diamond accounted for 25%, sales to Creative accounted for 18% and sales to Edom accounted for 16% of total revenue. Sales to STB accounted for 78% and sales to Diamond accounted for 9% of our total revenue for the second quarter ended July 26, 1998. For the first six months of fiscal 1999, sales to STB accounted for 60% and sales to Diamond accounted for 27% of total revenue. The number of potential customers for our products is limited, and we expect sales to Creative will continue to account for a substantial portion of our revenue for the foreseeable future. In June 1999, S3 Incorporated (S3), a supplier of graphics processors and a competitor, entered into a definitive agreement to acquire Diamond. We expect our sales to Diamond to decline significantly from prior levels following the consummation of the acquisition. The transaction is expected to be completed in October 1999, subject to regulatory and stockholder approvals. 3Dfx Interactive, Inc., a 3D graphics company and a competitor, completed the acquisition of STB in May 1999. Our sales to STB in the second quarter declined to 2% from 13% of total revenue in the first quarter and STB is no longer one of our significant customers.

As markets for our 3D graphics processors develop and competition increases, we anticipate that product life cycles will remain short and ASPs will continue to decline. In particular, ASPs and gross margins are expected to decline as each product matures. Our add-in board manufacturers and major OEM customers typically introduce new system configurations as often as twice per year, typically based on spring and fall design cycles. Accordingly, our existing products must have competitive performance levels in order to be included in new system configurations, or we must timely introduce new products with such performance characteristics at costs and in sufficient volumes to maintain overall average selling prices and gross margins. Failure to achieve necessary costs and volume shipments with respect to future products or product enhancements could result in rapidly declining ASPs, reduced margins, reduced demand for products or loss of market share.

We currently utilize Taiwan Semiconductor Manufacturing Company ("TSMC") and WaferTech, LLC to produce semiconductor wafers and utilize independent contractors to perform assembly, test and packaging. We depend on these suppliers to allocate to us a portion of their manufacturing capacity sufficient to meet our needs, to produce products of acceptable quality and at acceptable manufacturing yields, and to deliver those products to us on a timely basis. These manufacturers may not always be able to meet our near-term or long-term manufacturing requirements. Yields or product performance could suffer due to difficulties associated with adapting our technology and product design to the proprietary process technology and design rules of each manufacturer. A manufacturing disruption experienced by these manufacturers would impact the production of our products, which would harm our business. In addition, as the complexity of our products and the accompanying manufacturing process increases, there is an increasing risk that we will experience problems with the performance of new products and that there will be yield problems or other delays in the development or introduction of these products. We have recently introduced the RIVA TNT2 family of graphics processors and we may experience problems or other delays while in production of these products.

Substantially all of our sales are made on the basis of purchase orders rather than long-term agreements. As a result, we may commit resources to the production of products without having received advance purchase commitments from customers. Any inability to sell products to which we have devoted significant resources could harm our business. In addition, cancellation or deferral of product orders could result in our holding excess inventory, which could adversely affect our profit margins and restrict our ability to fund operations. Product returns or delays or difficulties in collecting accounts receivable could result in significant charges against income, which could harm our business.

Results of Operations

Three Months and Six Months Ended August 1, 1999 and July 26, 1998

Revenue

Product Revenue. Product revenue increased 612% to $78.0 million in the second quarter ended August 1, 1999 from $11.0 million in the second quarter ended July 26, 1998. Revenue of $149.0 million for the first half of fiscal 2000 grew 319% over the first half of fiscal 1999. The increase was primarily the result of increased sales of our RIVA family of graphics processors, particularly the RIVA TNT2 graphics processors. Revenue from sales outside of the U.S. represented 63% and 58% of total revenue in the second quarter and the first half of fiscal 2000, respectively. Substantially all of our revenue in the comparable periods for the prior fiscal year was derived from product sales in the U.S. This increase in revenue from sales outside of the U.S. is primarily attributable to (i) the geographic limitation of the worldwide license agreement with ST Microelectronics, Inc. with respect to sales of the RIVA128 and RIVA128ZX graphics processors, which agreement did not restrict the sales of the RIVA TNT and RIVA TNT2 families of processors in fiscal 2000, and (ii) increased demand for our products in the Asia Pacific region. We believe that the substantial growth in product revenue achieved in this period is not necessarily indicative of future results. In addition, we expect that the ASPs of our products will decline over the lives of the products. The declines in ASPs of 3D graphics processors generally may also accelerate as the market develops and competition increases.

Royalty Revenue. ST has a worldwide license to sell the RIVA128 and RIVA128ZX graphics processors. Royalty revenue from sales by ST of the RIVA128 graphics processor and a derivative of the RIVA128ZX graphics processor decreased to zero in the second quarter and first half of fiscal 2000 due primarily to reduced sales of such products and disputes with ST regarding payment. Royalty revenue totaled $1.2 million, or 10% of our total revenue, in the second quarter ended July 26, 1998 and $4.8 million for the first half of fiscal 1999. We do not expect to record or receive royalty revenue from ST in the future.

Gross Profit

Gross profit consists of total revenue net of allowances less cost of revenue. Cost of revenue consists primarily of the costs of semiconductors purchased from contract manufacturers (including assembly, test and packaging), manufacturing support costs (labor and overhead associated with such purchases), inventory provisions and shipping costs. Gross profit increased to $28.4 million in the second quarter of fiscal 2000 from a gross loss of $827,000 in the second quarter of fiscal 1999. Excluding royalty revenue, gross profit margin on product revenue increased to 36% in the second quarter of fiscal 2000 from (18)% in the second quarter of fiscal 1999. For the first six months of fiscal 2000, gross profit grew to $53.5 million from $6.6 million in the comparable period of the prior year. Year-to-date gross profit margin on product revenue was 36% in fiscal 2000 compared to 16% in fiscal 1999. The increase in gross profit margin

relates primarily to significant increases in the volume of product shipped and the favorable impact of the higher margin TNT2 graphics processors, partially offset by declining profit margins in our older product families. Although we achieved substantial growth in gross profit and gross profit margin in this period, we do not expect to sustain these rates of growth in future periods.

Operating Expenses

Research and Development. Research and development expenses consist of salaries and benefits, cost of development tools and software, costs of prototypes of new products and consultant costs. As a percentage of total revenue, research and development expenses decreased to 14% in the second quarter of fiscal 2000 from 47% in the second quarter of fiscal 1999, and increased in absolute dollars to $10.8 million from $5.7 million. Year-to-date research and development expenses in fiscal 2000 increased to $19.6 million from $10.4 million in fiscal 1999. As a percentage of total revenue, year-to-date research and development expenses in fiscal 2000 decreased to 13% compared to 26% in the same period in fiscal 1999. The increase in absolute dollars was primarily due to additional personnel and related engineering costs to support our next generations products, such as depreciation charges incurred on capital expenditures and software license and maintenance fees. We anticipate that we will continue to devote substantial resources to research and development, and we expect these expenses to increase in absolute dollars in the second half of fiscal 2000. Research and development expenses are likely to fluctuate from time to time to the extent we make periodic incremental investments in research and development and our level of revenue fluctuates.

As part of a strategic collaboration agreement with ST, we received contract funding in support of research and development and marketing efforts for the RIVA128 and RIVA128ZX graphics processors. Accordingly, we recorded approximately $625,000 and $1.3 million in the second quarter and first half of fiscal 1999, respectively, as a reduction primarily to research and development. We were obligated to provide continued development and support to ST through the end of calendar 1998. We currently do not have any plans to enter into contractual development arrangements and do not expect to receive contract funding in the future.

Sales, General and Administrative. Sales, general and administrative expenses consist primarily of salaries, commissions and bonuses earned by sales, marketing and administrative personnel, promotional and advertising expenses, travel and entertainment expenses and legal expenses. Sales, general and administrative expenses as a percentage of total revenue decreased to 10% in the second quarter of fiscal 2000 from 33% in the second quarter of fiscal 1999 and increased in absolute dollars to $8.1 million from $4.0 million. For the first six months of fiscal 2000, sales, general and administrative expenses increased to $15.4 million compared to $7.8 million in the same period in fiscal 1999. The increase in absolute dollars was primarily the result of additional personnel and commissions and bonuses on sales of the TNT2 graphics processors as well as legal expenses associated with patent litigation. We expect sales, general and administrative expenses to continue to increase in absolute dollars as we expand our operations, but we do not expect significant changes in these expenses as a percentage of revenue in future periods.

Interest and Other Income (Expense), Net

Interest income primarily consists of interest earned on cash and cash equivalents. Interest expense primarily consists of interest incurred as a result of capital lease obligations. Net interest income increased to $369,000 in the second quarter of fiscal 2000 from $22,000 in the second quarter of fiscal 1999. For the first two quarters of fiscal 2000, net interest income increased to $711,000 from $49,000 in the comparable period of fiscal 1999. The increase in net interest income was primarily due to higher average cash balances as a result of cash proceeds received from the initial public offering of our common stock in January 1999.

Income Taxes

We had an effective tax rate of 32% in the second quarter and first half of fiscal 2000. The income taxes in the second quarter and first six months of fiscal 1999 consisted primarily of deferred federal tax benefit. We anticipate our tax rates for the remainder of fiscal 2000 will remain relatively constant, depending on the availability and realizability of deferred tax assets. Realization of the deferred tax assets will depend on future taxable income.

Stock-Based Compensation

With respect to stock options granted to employees, we recorded deferred compensation of $4.3 million in 1997 and $361,000 in the one month ended January 31, 1998. These amounts are being amortized over the vesting period of the individual options, generally four years. We amortized approximately $193,000 in the second quarter of fiscal 2000 compared to $722,000 in the second quarter of fiscal 1999. Year-to-date amortization decreased to $452,000 in fiscal 2000 from $1.7 million in fiscal 1999. We anticipate total amortization of approximately $650,000 in fiscal 2000.

Liquidity and Capital Resources

As of August 1, 1999, we had $46.8 million in cash and cash equivalents. In February 1999, we received $5.8 million from the underwriters' exercise of their option to purchase an additional 525,000 shares of common stock at a price of $12 per share. Approximately $5.0 million of the net proceeds were used to repay in full amounts outstanding under a bank line of credit. The balance of the net proceeds will be used for general corporate purposes, including capital expenditures and working capital. We historically have held our cash balances in cash equivalents such as money market funds or as cash. We place the money market funds with high-quality financial institutions and limit the amount of exposure with any one financial institution. We had $49.6 million of noncancelable inventory purchase commitments outstanding at August 1, 1999.

In July 1999, we entered into an amended loan and security agreement with a bank, which included a $10.0 million revolving credit facility with a borrowing base equal to 80% of eligible accounts. Borrowings under the line of credit bear interest at prime rate and are due in July 2000. Covenants governing the credit facility require the maintenance of certain financial ratios. As of August 1, 1999, we had no outstanding borrowings against the line of credit.

Operating activities generated $105,000 during the first six months of fiscal 2000 compared to $368,000 during the first six months of fiscal 1999. The cash flow from operating activities during the six months of fiscal 2000 was positive principally due to higher net income, offset by changes in operating assets and liabilities. Our accounts receivable are highly concentrated. Five customers accounted for approximately 61% of the accounts receivable for the first six months of fiscal 2000. Although we have not experienced any bad debt write-offs to date, we may be required to write off bad debt in the future, which could harm our business. In June 1999, we repurchased 428,572 shares of our common stock from a major customer in settlement for a portion of then outstanding accounts receivable in the amount of $7.5 million.

To date, our investing activities have consisted primarily of purchases of property and equipment. Our capital expenditures, including capital leases, were $14.7 million during the first six months of fiscal 2000 and $5.4 million during the first six months of fiscal 1999. The increase was primarily attributable to a $10.0 million obligation pursuant to a long-term licensing agreement with a supplier. We expect capital expenditures to increase as we further expand research and development initiatives and as our employee base grows. The timing and amount of future capital expenditures will depend primarily on our future growth. We expect to spend an additional $5.0 million for capital expenditures in the next six months, primarily for software licenses, emulation equipment and the purchase of computer and engineering workstations.

We believe that our existing cash balances, anticipated cash flows from operations and capital lease financing will be sufficient to meet our operating and capital requirements for at least the next 12 months, although we could be required, or could elect, to raise additional funds during that period. We expect that we may need to raise additional equity or debt financing in the future. Additional financing may not be available on favorable terms or at all and may be dilutive to our then-current stockholders. We also may require additional capital for other purposes not presently contemplated. If we are unable to obtain sufficient capital, we could be required to curtail capital equipment purchases and/or research and development expenditures, which could harm our business.

Year 2000 Compliance

The Year 2000 issue is the result of computer programs written using two digits rather than four to define the applicable year. Computer programs that have date-sensitive software like this may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices or engage in similar normal business activities.

We are heavily dependent upon the proper functioning of our own computer or data-dependent systems. These include, but are not limited to, information systems in business, finance, operations and service. Any failure or malfunctioning on the part of these or other systems could adversely affect us in ways that are not currently known, discernible, quantifiable or otherwise anticipated by us.

Our graphics processors and related software do not depend on any date-sensitive functions in order to perform in accordance with their respective designs, and we do not expect their functions to be negatively affected by the Year 2000 issue. Our products are ultimately used with a number of different hardware and software products, and to the extent these third-party products are not Year 2000 compliant, the interoperability of our products may be adversely affected. Given the number of third-party components and our limited resources, we do not expect to review these third-party products.

We have conducted and completed an initial audit of our critical internal financial, informational and operational systems and our electronic design tools to identify and evaluate those areas of our business that may be affected by the Year 2000 issue. We have completed a detailed plan to implement and test any necessary modifications to these key areas to ensure that they are Year 2000 compliant. Our plan includes the following components:

- independent validation of our Year 2000 assessment procedures;
- formal communications with all significant suppliers, large customers and tools vendors to determine the extent to which we are vulnerable to those third parties' failure to remedy their own Year 2000 issues; and
- the development of contingency plans to address situations that may result if we are unable to achieve Year 2000 readiness of our critical operations.

We anticipate that any required remediation programs will be completed by the end of calendar 1999.

To date, we have not incurred material incremental costs associated with our efforts to become Year 2000 compliant, as the majority of the costs have occurred as a result of normal upgrade procedures. We believe that future costs associated with our Year 2000 compliance efforts will not exceed $500,000.

In addition to the risks associated with our own systems, we have relationships with, and are to varying degrees dependent upon, a large number of third parties that provide information, goods and services to us and manufacture our graphics processors. Our business could suffer if key suppliers experience Year 2000 issues that cause them to delay manufacturing or shipment of finished product to us. In addition, our results of operations could suffer if any of our key customers encounter Year 2000 issues that cause them to delay or cancel substantial purchase orders or delivery of our product. We have begun to initiate formal communications to ascertain the Year 2000 compliance of key suppliers and determine the extent to which we may be vulnerable to those third parties' failure to remedy their own Year 2000 issues.

We have completed an inventory of internal systems, hardware, software, communication networks and non-information technology systems and services. To date, we have substantially completed the following:

- assessing specific underlying computer systems, programs and hardware;
- evaluating remediation or replacement of Year 2000 non-compliant technology;
- conducting validation and testing of technologically-compliant Year 2000 solutions; and

. completing implementation of Year 2000 compliant systems.

While we plan to complete modifications or upgrades of our business-critical systems prior to the Year 2000, we may be unable to develop a plan to address the Year 2000 issue in a timely manner or to upgrade any or all of our major systems in accordance with our plan. If any required modifications or upgrades or modifications by key suppliers or customers are not completed in a timely manner or are not successful, we may be unable to conduct our business. In addition, any upgrades made may not effectively address the Year 2000 issue. Furthermore, the systems of other

companies on which we rely for the manufacture of our products may not be converted in a timely manner. A failure to convert by another company, or a conversion that is incompatible with our systems, could harm our business.

We or one or more third parties may encounter unforeseen problems with respect to any of our systems, which could harm our business. We are currently evaluating possible actions, including accumulating excess inventory of our finished products, to be taken in the event that our assessment of the Year 2000 issue is not successfully completed on a timely basis, but we have not yet established a formal contingency plan.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

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

Exchange Rate Risk

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

Certain 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.

Our operating results are unpredictable and they may fluctuate. Many of our revenue components fluctuate and are difficult to predict, and our operating expenses are largely independent of revenue in any particular period. It is therefore difficult for us to accurately forecast revenue and profits or losses. We believe that, even if we do achieve significant sales of our products, our quarterly and annual results of operations will be affected by a variety of factors that could adversely affect our revenue, gross profit and results of operations.

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

. demand and market acceptance for our products;

. the successful development of next-generation products;

. unanticipated delays or problems in the introduction or performance of next-generation products;

. market acceptance of the products of our customers;

. new product announcements or product introductions by our competitors;

. our ability to introduce new products in accordance with OEM design requirements and design cycles;

. changes in the timing of product orders due to unexpected delays in the introduction of our products and/or our customers' products or due to the life cycles of our customers' products ending earlier than anticipated;

- fluctuations in the availability of manufacturing capacity or manufacturing yields;

- competitive pressures resulting in lower than expected average selling prices;

- the volume of orders that are received and that can be fulfilled in a quarter;

- rates of return in excess of that forecasted/expected due to quality issues;

- the rescheduling or cancellation of customer orders;

- the unanticipated termination of strategic relationships;

- seasonal fluctuations associated with the tendency of PC sales to decrease in the second quarter and increase in the second half of each calendar year; and

- the level of expenditures for our research and development and sales, general and administrative functions.

In addition, we may experience difficulties related to the production of current or future products and other factors may delay the introduction or volume sales of new products we develop. We believe that quarterly and annual results of operations also could be affected in the future by other factors, including the following:

- changes in the relative volume of sales of our products;

- seasonality in the PC market;

- our ability to reduce the process geometry of our products;

- supply constraints for the other components incorporated into our customers' products;

- the loss of a key customer;

- changes in the pricing of dynamic random access memory devices ("DRAMs") or other memory components;

- legal and other costs related to defending intellectual property litigation;

- costs associated with protecting our intellectual property;

- costs related to acquiring or licensing intellectual property;

- inventory write-downs; and

- foreign exchange rate fluctuations.

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

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

We have a limited operating history and a history of losses. We have a limited operating history and it is difficult to predict our future operating results. Our recent revenue growth may not be sustainable and should not be considered indicative of future revenue growth, if any. Although we generated net income in the twelve months ended August 1, 1999, and in the three months ended December 31, 1997, we incurred losses in the first half of fiscal 1999, in the first three quarters of fiscal 1997 and in each quarter of our prior fiscal years. We may not be profitable on a quarterly or annual basis in the future.

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

- anticipate the features and functionality that consumers will demand;

- incorporate those features and functionality into products that meet the exacting design requirements of PC OEMs and add-in board manufacturers;

- price our products competitively; and

- introduce the products to the market within the limited window for PC OEM and add-in board manufacturer design cycles.

As a result, we believe that significant expenditures for research and development will continue to be required in the future.

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

As markets for our 3D graphics processors develop and competition increases, we anticipate that product life cycles will remain short and average ASPs will continue to decline. In particular, we expect ASPs and gross margins for our 3D graphics processors to decline as each product matures and as unit volumes increase. As a result, we will need to introduce new products and enhancements to existing products to maintain overall ASPs and gross margins. In order for our 3D graphics processors to achieve high volumes, leading PC OEMs and add-in board manufacturers must select our 3D graphics processor for design into their products, and then successfully complete the designs of their products and sell them. We may be unable to successfully identify new product opportunities or develop and bring to market in a timely fashion any new products. In addition, we cannot guarantee that any new products we develop will be selected for design into PC OEMs' and add-in board manufacturers' products, that any new designs will be successfully completed or that any new products will be sold. As the complexity of our products and the manufacturing process for our products increases, there is an increasing risk that we will experience problems with the performance of our products and that there will be delays in the development, introduction or volume shipment of our products. We recently introduced the RIVA TNT2 family of graphics processors. While we have not experienced yield problems to date, we may experience problems or other delays while in production with these products. We may experience difficulties related to the production of current or future products or other factors may delay the introduction or volume sale of new products we developed. In addition, we may be unable to successfully manage the production transition risks with respect to future products. Failure to achieve any of the foregoing with respect to future products or product enhancements could result in rapidly declining ASPs, reduced margins, reduced demand for our products or loss of market share. In addition, technologies developed by others may render our 3D graphics products non-competitive or obsolete or result in our holding excess inventory, either of which would harm our business.

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

We may be unable to obtain design wins. Our future success will depend in large part on achieving design wins, which entails having our existing and future products chosen as the 3D graphics processors for hardware components or subassemblies designed by PC OEMs and add-in board manufacturers. Our failure to achieve one or more design wins would harm our business. The process of being qualified for inclusion in a PC OEM's product can be lengthy and could cause us to miss a cycle in the demand of end users for a particular product feature, which also could harm our business.

Our ability to achieve design wins will depend in part on our ability to identify and ensure compliance with evolving industry standards. Unanticipated changes in industry standards could render our products incompatible with products developed by major hardware manufacturers and software developers, including Intel and Microsoft. This would require us to invest significant time and resources to redesign our products to ensure compliance with relevant standards. If our products are not in compliance with prevailing industry standards for a significant period of time, our ability to achieve design wins could suffer. Our failure to achieve design wins would result in the loss of any potential sales volume that could be generated by newly designed PC hardware component or board subassembly. This would give a competitive advantage to the 3D graphics processor manufacturer that achieved the design win.

We are dependent on the desktop PC market, which may not continue to grow. In the first six months of fiscal 2000, we derived all of our revenue from the sale of products for use in PCs. We expect to continue to derive substantially all of our revenue from the sale or license of products for use in PCs. The PC market is characterized by rapidly changing technology, evolving industry standards, frequent new product introductions and significant price competition. These factors result in short product life cycles and regular reductions of ASPs over the life of a specific product. Although the PC market has grown substantially in recent years, this growth may not continue. A reduction in sales of PCs, or a reduction in the growth rate of PC sales, would likely reduce demand for our products. Moreover, changes in demand could be large and sudden. Since PC manufacturers often build inventories during periods of anticipated growth, they may be left with excess inventories if growth slows or if they have incorrectly forecast product transitions. In these cases, PC manufacturers may abruptly suspend substantially all purchases of additional inventory from suppliers like us until the excess inventory has been absorbed. Any reduction in the demand for PCs generally, or for a particular product that incorporates our 3D graphic processors, could harm our business.

The market for mainstream PC 3D graphics is new and uncertain. Our success will depend, in part, upon the demand for 3D graphics for mainstream PC applications. The market for 3D graphics on mainstream PCs has only recently begun to emerge and is dependent on the future development of, and substantial end-user and OEM demand for, 3D graphics functionality. As a result, the market for mainstream PC 3D graphics computing may not continue to develop or may not grow at a rate sufficient to support our business. The development of the market for 3D graphics on mainstream PCs will in turn depend on the development and availability of a large number of mainstream PC software applications that support or take advantage of 3D graphics capabilities. Currently there are only a limited number of software applications like this, most of which are games, and a broader base of software applications may not develop in the near term or at all. Until very recently, the majority of multimedia PCs incorporated only 2D graphics acceleration technology, and as a result, the majority of graphics applications currently available for mainstream PCs are written for 2D acceleration technology. Consequently, a broad market for full function 3D graphics on mainstream PCs may not develop. Our business will suffer if the market for mainstream PC 3D graphics fails to develop or develops more slowly than expected.

We are dependent on a small number of customers and we are subject to order and shipment uncertainties. We have only a limited number of customers and our sales are highly concentrated. We primarily sell our products to add-in board and motherboard manufacturers, which incorporate graphics products in the boards they sell to PC OEMs. Sales to add-in board and motherboard manufacturers are primarily dependent on achieving design wins with leading PC OEMs. We believe that a considerable portion of our revenue in the most recent quarter was attributable to products that ultimately were incorporated into PCs sold by Compaq Computer Corporation, Dell Computer Corporation, Gateway 2000, Inc., Hewlett-Packard, Intel, International Business Machines Corporation and Micron Technology, Inc. The number of add-in board and motherboard manufacturers and leading PC OEMs is limited, and we expect that a small number of add-in board and motherboard manufacturers directly, and a small number of PC OEMs indirectly, will continue to account for a substantial portion of our revenue for the foreseeable future. As a result, our business could be harmed by the decision of a single PC OEM or add-in board and motherboard manufacturers to cease using our products or by a decline in the number of products sold by a single PC OEM or add-in board and motherboard manufacturers or by a small number of customers. In addition, revenue from add-in board and motherboard manufacturers or PC OEMs that have directly or indirectly accounted for significant revenue in past periods, individually or as a group, may not continue, or may not reach or exceed historical levels in any future period.

We depend on third-party manufacturers to produce our products. We do not manufacture the semiconductor wafers used for our products and do not own or operate a wafer fabrication facility. Our products require wafers manufactured with state-of-the-art fabrication equipment and techniques. We utilize TSMC and WaferTech to produce our semiconductor wafers and utilize independent contractors to perform assembly, test and packaging. We depend on these suppliers to allocate to us a portion of their manufacturing capacity sufficient to meet our needs, to produce products of

acceptable quality and at acceptable manufacturing yields, and to deliver those products to us on a timely basis. These manufacturers may be unable to meet our near-term or long-term manufacturing requirements. We obtain manufacturing services on a purchase order basis and TSMC has no obligation to provide us with any specified minimum quantities of product. TSMC fabricates wafers for other companies, including certain of our competitors, and could choose to prioritize capacity for other users or reduce or eliminate deliveries to us on short notice. Because the lead time needed to establish a strategic relationship with a new manufacturing partner could be several months, there is no readily available alternative source of supply for any specific product. We believe that long-term market acceptance for our products will depend on reliable relationships with TSMC and any other manufacturers used by us to ensure adequate product supply to respond to customer demand.

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

- produce wafers of acceptable quality and with acceptable manufacturing yields;

- deliver those wafers to us and our independent assembly and testing subcontractors on a timely basis and;

- allocate to us a portion of their manufacturing capacity sufficient to meet our needs.

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

Low manufacturing yields would harm our business. Semiconductor manufacturing yields are a function both of product design, which is developed largely by us, and process technology, which is typically proprietary to the manufacturer. Since low yields may result from either design or process technology failures, yield problems may not be effectively determined or resolved until an actual product exists that can be analyzed and tested to identify process sensitivities relating to the design rules that are used. As a result, yield problems may not be identified until well into the production process, and resolution of yield problems would require cooperation by and communication between us and the manufacturer. The risk of low yields is compounded by the offshore location of our manufacturers, increasing the effort and time required to identify, communicate and resolve manufacturing yield problems. Because of our potentially limited access to wafer fabrication capacity from our manufacturers, any decrease in manufacturing yields could result in an increase in our per unit costs and force us to allocate our available product supply among our customers. This could potentially harm customer relationships as well as revenue and gross profit. Our wafer manufacturers may be unable to achieve or maintain acceptable manufacturing yields in the future. Our inability to achieve planned yields from our wafer manufacturers could harm our business.

We face many other risks. Also inherent in our business are additional risks, which include but are not limited to the following:

- our ability to manage growth;

- our dependence on key personnel;

- the risk of product returns, product defects or product incompatibilities;

- our inability to transition to new manufacturing process technologies;

- the risks associated with international operations, which accounted for a significant portion of our revenue in the first six months of fiscal 2000;

- the cyclical nature of the semiconductor industry; and

- our ability to adequately protect our intellectual property rights.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

On April 9, 1998, the Company was notified that Silicon Graphics, Inc. (SGI) had filed a patent infringement lawsuit against the Company in the United States District Court for the District of Delaware. The suit alleged that the sale and use of the Company's RIVA family of 3D graphics processors infringes a United States patent held by SGI. The parties to this case reached an agreement to settle the case in July 1999. The Company entered into agreements with SGI to create a broad strategic alliance to collaborate on future graphics technologies. As part of the Strategic Relationship Agreement, SGI has dismissed its patent infringement suit against the Company and the Company has licensed SGI's enabling 3D graphics patent portfolio. Additionally, SGI will incorporate the Company's graphics technology into new desktop graphics systems and transfer approximately 25 engineering personnel to the Company during the second half of fiscal 2000. In connection with the Patent License Agreement, the Company will pay SGI a total of $3.0 million in nine quarterly installments with the final payment due in May 2001.

Item 2. Changes in Securities and Use of Proceeds

Use of Proceeds from Sales of Registered Securities

We commenced our initial public offering on January 21, 1999 pursuant to a Registration Statement on Form S-1 (File No. 333-47495). The managing underwriters of the public offering were Morgan Stanley & Co., Hambrecht & Quist and Prudential Securities (the Underwriters). In the offering, we sold an aggregate of 3.5 million shares of our common stock for an initial price of $12.00 per share. On February 2, 1999, we sold an additional 525,000 shares of our common stock at a price of $12.00 per share pursuant to the exercise of the Underwriters' over-allotment option. The aggregate proceeds from the offering were $48.3 million. We paid expenses of approximately $5.0 million, of which approximately $3.4 million represented underwriting discounts and commissions and approximately $1.6 million represented expenses related to the offering. Net proceeds from the offering were $43.3 million. Of the net proceeds, as of August 1, 1999, $5.0 million had been used to repay in full amounts outstanding under a bank line of credit. The use of the proceeds from the offering does not represent a material change in the use of proceeds described in our Registration Statement. As of August 1, 1999, the remainder of the net proceeds were invested in money market funds.

Item 4. Submission of Matters to a Vote of Security Holders

At the Annual Meeting of Stockholders held on June 17, 1999, the following proposals were adopted by the margin indicated:

(a) To elect two directors, Harvey C. Jones, Jr. and William J. Miller to hold office until the 2002 Annual Meeting of Stockholders.

Nominee	For	Withheld
Harvey C. Jones, Jr.	23,213,349	3,219
William J. Miller	23,213,586	2,892

Directors continuing in office until the 2000 Annual Meeting:

Tench Coxe
Mark A. Stevens

Directors continuing in office until the 2001 Annual Meeting:

James C. Gaither
Jen-Hsun Huang
A. Brooke Seawell

(b) To approve the amendment of the Company's 1998 Employee Stock Purchase Plan to provide for annual increases to the number of shares of common stock reserved for issuance thereunder.

Shares voting:	
For	21,260,044
Against	427,375
Abstain	18,864
Broker non-vote	1,510,195

(c) To ratify the selection of KPMG LLP as independent accountants of the Company for its fiscal year ended January 30, 2000.

Shares voting:	
For	22,696,907
Against	1,094
Abstain	10,281
Broker non-vote	508,196

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following exhibits are filed herewith:

<TABLE>
<CAPTION>

Exhibit Number	Description of Document
<S>	<C>
10.15	Amendment to Loan and Security Agreement, dated July 30, 1999, between the Company and Imperial Bank
27.1	Financial Data Schedule

</TABLE>

(b) Reports on Form 8-K

No Reports on Form 8-K were filed by the registrant during the three months ended August 1, 1999.

SIGNATURE

Pursuant to the requirements 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 September 9, 1999.

NVIDIA Corporation

By: /s/ Christine B. Hoberg

Christine B. Hoberg
Chief Financial Officer
(Principal Financial and Accounting Officer)

INDEX TO EXHIBITS

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EXHIBIT 10.15

AMENDMENT
TO
LOAN AND SECURITY AGREEMENT

This Amendment to Loan and Security Agreement is entered into as of July 30, 1999 (the "Amendment"), by and between IMPERIAL BANK ("Bank") and NVIDIA CORPORATION ("Borrower").

RECITALS

Borrower and Bank are parties to that certain Loan and Security Agreement dated as of September 3, 1998, as amended (the "Agreement"). The parties desire to amend the Agreement in accordance with the terms of this Amendment.

NOW, THEREFORE, the parties agree as follows:

1. Certain defined terms in Section 1.1 of the Agreement are hereby added or amended to read as follows:

"Borrowing Base" means an amount equal to eighty percent (80%) of Eligible Accounts, as determined by Bank with reference to the most recent Borrowing Base Certificate delivered by Borrower.

"Committed Revolving Line" means a credit extension of up to Ten Million Dollars ($10,000,000).

"Credit Extension" or "Credit Extensions" means an Advance, a Letter of Credit or other extension of credit under this Agreement.

"Revolving Maturity Date" means July 29, 2000.

2. Clause (i) of the defined term "Eligible Accounts" is amended to read as follows

"(i) Accounts with respect to an account debtor, including Subsidiaries and Affiliates, whose total obligations to Borrower exceed twenty percent (20%) of all Accounts, to the extent such obligations exceed the aforementioned percentage, except that the concentration limit for Accounts owing from each of STB Systems, Inc., Diamond Multimedia Systems, Inc., Intel and Creative Labs shall be fifty percent (50%). Increases to the concentration limit will be considered for approval by Bank on a case by case basis;"

3. The reference in clause (g) of the defined term "Permitted Investments" to $200,000 is amended to read "$500,000."

4. Sections 2.1 is amended to read as follows:

2. Loan And Terms Of Payment.

2.1 Credit Extensions.

Borrower promises to pay to the order of Bank, in lawful money of the United States of America, the aggregate unpaid principal amount of all Credit Extensions made by Bank to Borrower hereunder. Borrower shall also pay interest on the unpaid principal amount of such Credit Extensions at rates in accordance with the terms hereof.

2.1.1 Revolving Advances.

(a) Subject to and upon the terms and conditions of this Agreement, Borrower may request Advances in an aggregate outstanding amount not to exceed the lesser of the Committed Revolving Line. At any time the Credit Extensions exceed Five Million Dollars ($5,000,000), then, subject to and upon the terms and conditions of this Agreement, Borrower may request Advances in an aggregate outstanding amount not to exceed the lesser of (i) the Committed Revolving Line or (ii) the Borrowing Base, minus, in each case, the face amount of outstanding Letters of Credit, including any drawn but unreimbursed Letters of Credit and the FX Reserve. Subject to the terms and conditions of this Agreement, amounts borrowed pursuant to this Section 2.1.1 may be repaid and reborrowed at any time prior to the Revolving Maturity Date, at which time all Advances under this Section 2.1.1 shall be immediately due and payable. Borrower may prepay any Advances without penalty or premium.

(b) Whenever Borrower desires an Advance, Borrower will notify Bank by facsimile transmission or telephone no later than 3:00 p.m. Pacific time, on the Business Day that the Advance is to be made. Each such notification shall be promptly confirmed by a Payment/Advance Form in substantially the form of Exhibit B hereto. Bank is authorized to make Advances under this Agreement, based upon instructions received from a Responsible Officer or a designee of a Responsible Officer, or without instructions if in Bank's discretion such Advances are necessary to meet Obligations which have become due and remain unpaid. Bank shall be entitled to rely on any telephonic notice given by a person who Bank reasonably believes to be a Responsible Officer or a designee thereof, and Borrower shall indemnify and hold Bank harmless for any damages or loss suffered by Bank as a result of such reliance. Bank will credit the amount of Advances made under this Section 2.1.1 to Borrower's deposit account.

2.1.2 Letters of Credit Sublimit Under the Revolving Facility.

(a) Subject to the terms and conditions of this Agreement, Bank agrees to issue or cause to be issued letters of credit (each a "Letter of Credit," collectively, the "Letters of Credit") for the account of Borrower in an aggregate face amount not to exceed the lesser of the following (i) (A) the lesser of the Committed Revolving Line or the Borrowing Base (when the Borrowing Base is applicable), minus (B) the sum of the then outstanding principal balance of the Advances, the Foreign Exchange Reserve and the face amount of outstanding Letters of Credit, or (ii) Five Million Dollars ($5,000,000). Each such Letter of Credit shall have an expiry date no later than the Revolving Maturity Date; provided that the expiry date may be up to 90 days after the Revolving Maturity Date as long as Borrower secures its reimbursement and other obligations in connection with any Letter of Credit outstanding after such date with cash on terms reasonably acceptable to Bank. All such Letters of Credit shall be, in form and substance, acceptable to Bank in its sole discretion and shall be subject to the terms and conditions of Bank's form of application and letter of credit agreement. All amounts actually paid by Bank in respect of a Letter of Credit shall, when paid, constitute an Advance under this Agreement.

(b) The obligation of Borrower to immediately reimburse Bank for drawings made under Letters of Credit shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement and such Letters of Credit, under all circumstances whatsoever. Borrower shall indemnify, defend, protect, and hold Bank harmless from any loss, cost, expense or liability, including, without limitation, reasonable attorneys' fees, arising out of or in connection with any Letters of Credit.

(c) Borrower may request that Bank issue a Letter of Credit payable in a currency other than United States Dollars. If a demand for payment is made under any such Letter of Credit, Bank shall treat such demand as an advance to Borrower of the equivalent of the amount thereof (plus cable charges) in United States currency at the then prevailing rate of exchange in San Francisco, California, for sales of that other currency for cable transfer to the country of which it is the currency. Upon the issuance of any Letter of Credit payable in a currency other than United States Dollars, Bank shall create a reserve under the Committed Revolving Line for Letters of Credit against fluctuations in currency exchange rates, in an

amount equal to ten percent (10%) of the face amount of such Letter of Credit. The amount of such reserve may be amended by Bank from time to time to account for fluctuations in the exchange rate. The availability of funds under the Committed Revolving Line shall be reduced by the amount of such reserve for so long as such Letter of Credit remains outstanding.

2.1.3 Foreign Exchange Sublimit. If there is availability under the Committed Revolving Line, then Borrower may enter in foreign exchange contracts with the Bank under which Borrower commits to purchase from or sell to Bank a set amount of foreign currency more than one business day after the contract date (the "FX Contract") or treat such settlement as an Advance under the Revolving Committed Line. Bank will subtract 10% of each outstanding FX Contract (the "FX Reserve") from the foreign exchange sublimit, which is a maximum of $5,000,000 (the "FX Sublimit"). Bank may terminate the FX Contracts if an Event of Default occurs. All FX Contracts shall be subject to Bank's then standard terms and conditions.

5. Section 2.3(a) is hereby amended in its entirety to read as follows:

(a) Interest Rates. Except as set forth in Section 2.3(b), the Advances shall bear interest, on the outstanding daily balance thereof, at a rate equal to the Prime Rate.

6. Section 4.1 is amended to read as follows:

4.1 Springing Lien. Borrower grants Bank a continuing security interest in all currently existing and hereafter acquired or arising Collateral in order to secure prompt repayment of all Obligations and in order to secure prompt performance by Borrower of its covenants and duties under the Loan Documents. Except as set forth in the Schedule, such security interest constitutes a valid, first priority security interest in the Collateral. Borrower shall from time to time execute and deliver to Bank, at the request of Bank, all financing statements and other documents that Bank may reasonably request, in form satisfactory to Bank, to perfect and continue perfected Bank's security interest in the Collateral. Notwithstanding any provision of this Section 4.1 to the contrary, the grant of security interest hereunder shall be effective only until Borrower settles litigation outstanding against Borrower to Bank's satisfaction. Upon such settlement, the grant shall not be effective unless or until an Event of Default occurs, at which time such grant shall automatically be effective and Bank shall have the right to file with the California Secretary of State or such other appropriate government office the financing statement on Form UCC-1 and the Intellectual Property Security Agreement delivered in connection with this Amendment. Bank shall otherwise retain such financing statement and Intellectual Property Security Agreement in its offices.

7. Section 6.3 is hereby amended to read as follows:

6.3. Financial Statements, Reports, Certificates. Borrower shall deliver to Bank: (a) within five (5) days of filing, copies of all financial statements and reports sent or made available generally by Borrower to its security holders or to any holders of Subordinated Debt and all reports on Form 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission; (b) promptly upon receipt of notice thereof, a report of any legal actions pending or threatened against Borrower or any Subsidiary that could result in damages or costs to Borrower or any

Subsidiary of One Hundred Thousand Dollars ($100,000) or more; and (c) such budgets, sales projections, operating plans or other financial information as Bank may reasonably request from time to time.

Within fifteen (15) days after the last day of each month in which the outstanding Credit Extensions exceed $5,000,000 (and at least seven days prior to requesting Credit Extensions that would cause the outstanding Credit Extensions to exceed $5,000,000), Borrower shall deliver to Bank a Borrowing Base Certificate signed by a Responsible Officer in substantially the form of Exhibit C hereto, together with aged listings of accounts receivable and accounts payable.

When there are outstanding Credit Extensions, Borrower shall deliver to Bank a Compliance

Certificate signed by a Responsible Officer in substantially the form of Exhibit D within fifty (50) days after the end of each of the first three fiscal quarters of each fiscal year and within one-hundred twenty (120) days after the end of each fiscal year. When there are no outstanding Credit Extensions, Borrower shall deliver to Bank a Compliance Certificate signed by a Responsible Officer in substantially the form of Exhibit D as a condition to requesting any Credit Extensions.

Bank shall have a right to audit the Collateral at any time that outstanding Credit Extensions exceed $5,000,000, provided such audit shall occur not more than annually as long as an Event of Default has not occurred and is continuing.

8. Sections 6.8 through 6.10 are hereby amended in their entirety to read as follows:

6.8 Quick Ratio. Borrower shall maintain, as of the last day of each fiscal quarter, a ratio of Quick Assets to Current Liabilities, of not less than 1.25 to 1.00. In calculating compliance with this Section and Section 6.9, all indirect borrowings not already accounted for on Borrower's balance sheet shall be deemed a liability. All indirect borrowings already accounted for on Borrower's balance sheet shall not be deemed a liability.

6.9 Total Liabilities-Tangible Net Worth. Borrower shall maintain, as of the last day of each fiscal quarter, a ratio of Total Liabilities to Tangible Net Worth of not more than 1.0 to 1.0.

6.10 Profitability. Borrower shall have a net income, less any capitalized software development costs not already expensed, after taxes, of at least One Dollar ($1.00) for each fiscal quarter.

9. Section 6.11 is hereby deleted from the Agreement in its entirety.

10. The Borrowing Base Certificate to be delivered after the date of this Amendment shall be in substantially the form of Exhibit C hereto.

11. The Compliance Certificate to be delivered after the date of this Amendment shall be in substantially the form of Exhibit D hereto.

12. Unless otherwise defined, all capitalized terms in this Amendment shall be as defined in the Agreement. Except as amended, the Agreement remains in full force and effect.

13. Borrower represents and warrants that the representations and

warranties contained in the Agreement are true and correct as of the date of this Amendment, and that no Event of Default has occurred and is continuing.

14. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument.

15. As a condition to the effectiveness of this Amendment, Bank shall have received, in form and substance satisfactory to Bank, the following:

(a) this Amendment, duly executed by Borrower;

(b) a non-refundable loan fee of Fifteen Thousand Dollars ($15,000), plus all Bank Expenses incurred through the date of this Amendment;

(c) Corporate Resolutions to Borrow; and

(d) such other documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the first date above written.

NVIDIA CORPORATION

By:_____________________________________

Title:__________________________________

IMPERIAL BANK

By:_____________________________________

Title:__________________________________

EXHIBIT B

LOAN PAYMENT/ADVANCE TELEPHONE REQUEST FORM

DEADLINE FOR SAME DAY PROCESSING IS 3:00 P.M., Pacific Time

TO: EMERGING GROWTH INDUSTRIES DATE: ________________________

FAX#: (650) 233-3020 TIME: ________________________

FROM: NVIDIA Corporation

CLIENT NAME (BORROWER)

REQUESTED BY:____
AUTHORIZED SIGNER'S NAME

AUTHORIZED SIGNATURE:____

PHONE NUMBER:____

FROM ACCOUNT # ________________ ACCOUNT #____________________________________

REQUESTED TRANSACTION TYPE REQUEST DOLLAR AMOUNT
-------------------------- ---------------------

PRINCIPAL INCREASE (ADVANCE) $____
PRINCIPAL PAYMENT (ONLY) $____
INTEREST PAYMENT (ONLY) $____
PRINCIPAL AND INTEREST (PAYMENT) $____
OTHER INSTRUCTIONS:____
____

All representations and warranties of Borrower stated in the Loan Agreement are true, correct and complete in all material respects as of the date of the telephone request for and Advance confirmed by this Payment / Advance Form; provided, however, that those representations and warranties expressly referring to another date shall be true, correct and complete in all material respects as of such date.

BANK USE ONLY

TELEPHONE REQUEST:

The following person is authorized to request the loan payment transfer/loan advance on the advance designated account and is known to me.

___________________________________ ______________________________________
Authorized Requester Phone #

Authorized Requester Phone #
___________________________________ ______________________________________

____
Authorized Signature (Bank)

EXHIBIT C
BORROWING BASE CERTIFICATE

<TABLE>
<CAPTION>

Borrower: NVIDIA Corporation
Commitment Amount: $10,000,000 (Applies only when Credit Extensions exceed $5,000,000)

<S>	<C>	<C>
ACCOUNTS RECEIVABLE		
1. Accounts Receivable Book Value as of _______		$__________________
2. Additions (please explain on reverse)		$__________________
3. TOTAL ACCOUNTS RECEIVABLE		$__________________
ACCOUNTS RECEIVABLE DEDUCTIONS (without duplication)		
4. Amounts over 90 days due	$__________________	
5. Balance of 20% over 90 day accounts	$__________________	
6. Concentration Limits	$__________________	
7. Foreign Accounts	$__________________	
8. Governmental Accounts	$__________________	
9. Contra Accounts	$__________________	
10. Demo Accounts	$__________________	
11. Intercompany/Employee Accounts	$__________________	
12. Other (please explain on reverse)	$__________________	
13. TOTAL ACCOUNTS RECEIVABLE DEDUCTIONS	$__________________	
14. Eligible Accounts (#3 minus #13)		$__________________
15. LOAN VALUE OF ACCOUNTS (80% of #14)		$__________________
BALANCES		
16. Maximum Loan Amount		$10,000,000
17. Total Funds Available [Lesser of #15 or #16]		$__________________

18.	Present balance owing on Line of Credit	$___________________
19.	Outstanding under Sublimits ( )	$___________________
20.	RESERVE POSITION (#17 minus #18 and #19)	$___________________

</TABLE>

The undersigned represents and warrants that the foregoing is true, complete and correct, and that the information reflected in this Borrowing Base Certificate complies with the representations and warranties set forth in the Loan and Security Agreement between the undersigned and Imperial Bank.

NVIDIA CORPORATION

By: ___________________________________
Authorized Signer

EXHIBIT D
COMPLIANCE CERTIFICATE

TO: IMPERIAL BANK

FROM: NVIDIA CORPORATION

The undersigned authorized officer of NVIDIA Corporation hereby certifies that in accordance with the terms and conditions of the Loan and Security Agreement between Borrower and Bank (the "Agreement"), (i) Borrower is in complete compliance for the period ending ______________ with all required covenants except as noted below and (ii) all representations and warranties of Borrower stated in the Agreement are true and correct in all material respects as of the date hereof. Attached herewith are the required documents supporting the above certification. The Officer further certifies that these are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are consistently applied from one period to the next except as explained in an accompanying letter or footnotes.

Please indicate compliance status by circling Yes/No under "Complies" column.

<TABLE>
<CAPTION>

Reporting Covenant	Required	Complies	
<S>	<C>	<C>	
10Q, 10K	Within 5 days of filing	Yes	No
Compliance Certificate	Quarterly within 50 days	Yes	No
When Credit Extensions * $5,000,000			
A/R & A/P Agings	Monthly within 20 days	Yes	No
Borrowing Base Certificate	Monthly within 20 days	Yes	No
Audits	Annual	Yes	No

</TABLE>

If Credit Extensions are less than $5,000,000, A/R, A/P and BBC and any other required collateral reporting will not be required; provided that A/R, A/P, and BBC and all other required collateral reporting are provided one week prior to borrowing.

<TABLE>
<CAPTION>

Financial Covenant	Required	Actual	Complies	
<S>	<C>	<C>		
Maintain on a Quarterly Basis:				
Minimum Quick Ratio	1.25:1.00	____:1.00	Yes	No
Maximum Total Liabilities-TNW	1.00:1.00	____:1.00	Yes	No

Profitability	$1.00	$________	Yes	No

</TABLE>

<TABLE>
<S> <C>

Comments Regarding Exceptions: See Attached.	BANK USE ONLY
Very truly yours,	Received by:________________________________ Authorized Signer
____ Signature	Date:_______________________________________
____ Title	Verified:___________________________________ Authorized Signer
	Date:_______________________________________
	Compliance Status: Yes No

</TABLE>

* Greater than

CORPORATE RESOLUTIONS TO BORROW

Borrower: NVIDIA CORPORATION

I, the undersigned Secretary or Assistant Secretary of NVIDIA Corporation (the "Corporation"), HEREBY CERTIFY that the Corporation is organized and existing under and by virtue of the laws of the state of its incorporation.

I FURTHER CERTIFY that at a meeting of the Directors of the Corporation duly called and held, at which a quorum was present and voting, (or by other duly authorized corporate action in lieu of a meeting), the following resolutions were adopted.

I FURTHER CERTIFY that attached hereto are true and correct copies of the Memorandum and Articles, as amended, of the Corporation, each of which is in full force and effect as of the date hereof.

BE IT RESOLVED, that any one (1) of the following named officers, employees, or agents of this Corporation, whose actual signatures are shown below:

NAMES	POSITIONS	ACTUAL SIGNATURES
______________________	________________________	______________________
______________________	________________________	______________________
______________________	________________________	______________________
______________________	________________________	______________________
______________________	________________________	______________________

acting for an on behalf of this Corporation and as its act and deed be, and they hereby are, authorized and empowered:

Borrow Money. To borrow from time to time from Imperial Bank ("Bank"), on such terms as may be agreed upon between the officers, employees, or agents and Bank, such sum or sums of money as in their judgment should be borrowed, without limitation, including such sums as are specified in that certain Amendment to Loan and Security Agreement dated as of July 30, 1999 (the "Amendment").

Execute Amendment. To execute and deliver to Bank the Amendment, and also to execute and deliver to Bank one or more renewals, extensions, modifications, consolidations, or substitutions therefor.

Grant Security. To grant a security interest to Bank in the Collateral described in the Amendment, which security interest shall secure all of the Corporation's Obligations, as described in the Amendment.

Negotiate Items. To draw, endorse, and discount with Bank all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Corporation or in which the Corporation may have an interest, and either to receive cash for the same or to cause such proceeds to be

credited to the account of the Corporation with Bank, or to cause such other disposition of the proceeds derived therefrom as they may deem advisable.

Further Acts. In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances thereunder, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements as they may in their discretion deem reasonably necessary or proper in order to carry into effect the provisions of these Resolutions.

BE IT FURTHER RESOLVED, that any and all acts authorized pursuant to these resolutions and performed prior to the passage of these resolutions are hereby ratified and approved, that these Resolutions shall remain in full force and effect and Bank may rely on these Resolutions until written notice of their revocation shall have been delivered to and received by Bank. Any such notice shall not affect any of the Corporation's agreements or commitments in effect at the time notice is given.

I FURTHER CERTIFY that the officers, employees, and agents named above are duly elected, appointed, or employed by or for the Corporation, as the case may be, and occupy the positions set forth opposite their respective names; that the foregoing Resolutions now stand of record on the books of the Corporation; and that the Resolutions are in full force and effect and have not been modified or revoked in any manner whatsoever.

IN WITNESS WHEREOF, I have hereunto set my hand on July 30, 1999 and attest that the signatures set opposite the names listed above are their genuine signatures.

CERTIFIED TO AND ATTESTED BY:

X_____________________________________

IMPERIAL BANK

Member FDIC

ITEMIZATION OF AMOUNT FINANCED

DISBURSEMENT INSTRUCTIONS

(Revolver)

Name(s): NVIDIA CORPORATION   Date: July 30, 1999

$ credited to deposit account No. ________ when Advances are requested or by wire transfer or cashiers check

Amounts paid to others on your behalf:

$15,000.00 to Imperial Bank for Loan Fee

$ to Bank counsel fees and expenses

$ TOTAL (AMOUNT FINANCED)

Upon consummation of this transaction, this document will also serve as the authorization for Imperial Bank to disburse the loan proceeds as stated above.

_________________________________ _________________________________

Signature Signature

```
<TABLE> <S> <C>



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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE
SHEET AS OF AUGUST 1, 1999 AND THE STATEMENT OF INCOME FOR THE THREE MONTHS
ENDED AUGUST 1, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH
FINANCIAL STATEMENTS .
</LEGEND>
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