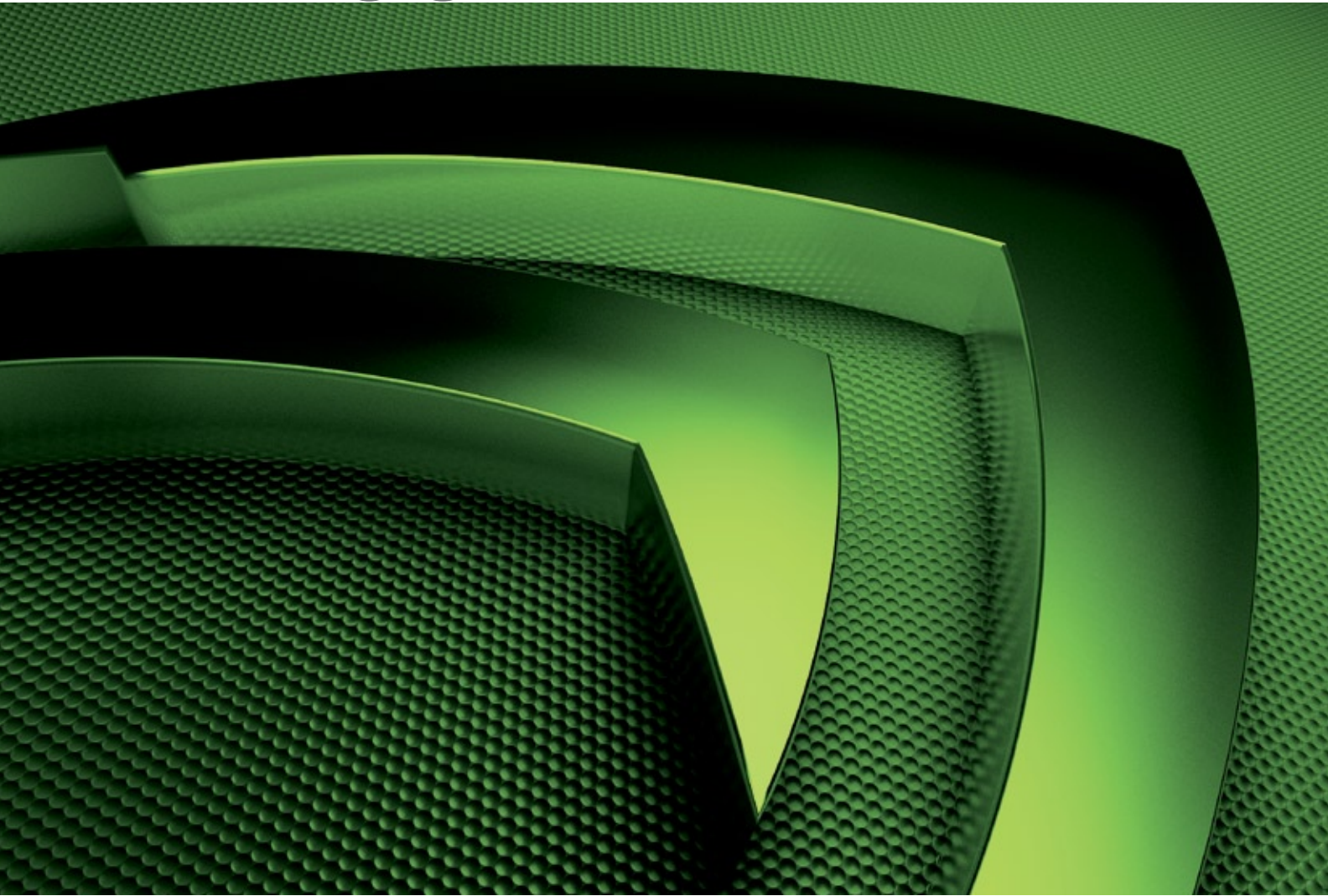


Letter to NVIDIA Shareholders

2007





To Our Stockholders

A Letter from Jen-Hsun Huang, President, CEO, and Co-Founder

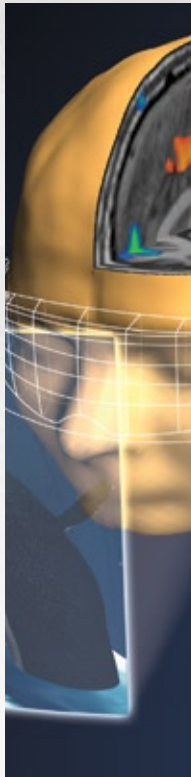
Since NVIDIA's founding in 1993, we have focused on creating ideas that make computers more useful, accessible, and enjoyable. Today our vision is clearer, our purpose more relevant, and our opportunity greater than ever. The confluence of processing, storage, networking, and display technology advancements has made it possible for every industry to go digital. This "digital revolution," which started in the server room in the '80s, then swept through the office and dramatically enhanced our productivity in the '90s, is now beginning to permeate every aspect of our lives.

We want to stay connected and search the Internet from any device and from any place—whether it's our PC, TV, phone, or car. We enjoy the crystal clarity of high-definition movies and appreciate the convenience of digital music. Searchable maps and GPS navigation devices help us find our way. With instant messaging we enjoy chatting with friends in different places, all at the same time. Games are more fun and engaging in 3D. And, massive and persistent virtual 3D worlds have gone mainstream to become the regular meeting place for tens of millions of people around the world.

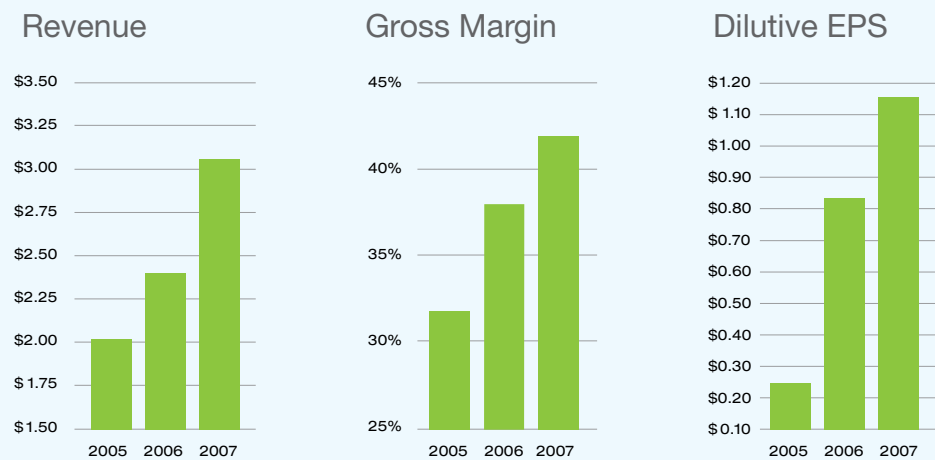
Yet this is just the beginning. Where it will take us is hard to predict and depends on creative ideas yet to come. What is clear, however, is that the visual experience is becoming central to our computing experience. What we experience and feel through our devices is influenced by what we see on the display. Whether it is on your PC, the flat screen TV in your family room, your phone, or even the navigation console of your car, the display is your portal to the digital universe and the GPU is the processor that powers it.

We believe the most exciting innovations of today are happening at the intersection of computing technology and consumer applications. This is precisely where NVIDIA is positioned. As the leading—and only stand-alone—GPU company in the world, our opportunities are truly exciting.

GPUs for a Growing Range of Applications



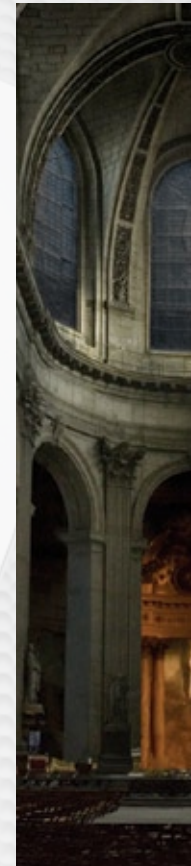
Last year was a milestone year for us. Strong demand for our products, combined with our focus on financial performance, led NVIDIA to achieve record results in fiscal 2007. Annual revenue grew to \$3.07 billion, an increase of 29.2 percent compared to \$2.38 billion for fiscal 2006. Our continued focus on improving business and operational processes drove our gross margins to a record 43.9 percent in Q4. Net income increased to a record \$448.8 million, an increase of 49.0 percent compared to \$301.2 million for fiscal 2006.



The engine of our growth is the GPU and its ever-expanding range of applications. Let me describe the exciting developments in our growing businesses.

GeForce. Our GeForce® GPU business is focused on Windows and Apple PC platforms. GeForce is by far the gamer's choice for desktop and notebook platforms. We are the #1 GPU provider in the world with leading market share in both the notebook and desktop segments. We are the recognized technology leader for performance, visual quality, and application compatibility. GeForce GPUs power PCs from virtually every PC OEM worldwide in desktops, notebooks, media centers, and now exciting media extenders like the Apple TV.

In November 2006 we introduced the GeForce 8800, the most ambitious GPU endeavor we've undertaken: four years in the making, hundreds of man years, and nearly \$400 million invested. Based on a revolutionary new architecture, GeForce 8800 smashed performance records and reflects our ongoing commitment to lead the world in GPU technology. The GeForce 8 family brought a number of industry firsts to the PC platform, including the first fully unified shader architecture, "Full HD" video processing for Blu-ray Disc and HD-DVD, and support for the Microsoft Vista DX10 3D API.

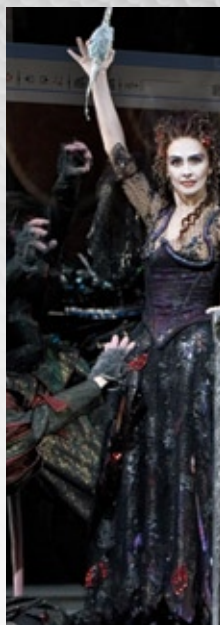


GeForce GPUs are for consumer and enterprise PC users who desire a great visual experience using Microsoft XP, Vista, Linux, or Apple OSX's 3D user interface, whether it's for playing the latest games, editing photos or video, enjoying high-definition movies, or exploring a wealth of emerging 3D applications like Google Earth and Adobe Acrobat 8.0.

NVIDIA nForce. Our nForce® business addresses the nearly \$6 billion computer core logic market. Core logic is the computer's "central nervous system," controlling and directing high speed data between the CPU, the GPU, storage, and networks. High-quality, long-term reliability, and top performance are key customer demands of core logic suppliers. NVIDIA's commitment to excellence has resulted in our becoming the world's second largest overall core logic supplier (we have long been the number one supplier for AMD CPUs). Our nForce core logic is at the heart of desktop and notebook PCs, professional workstations, and servers by top computer manufacturers like Acer, Dell, HP, IBM, and Lenovo.

nForce and GeForce products complement and amplify each other in a couple of important ways. First, our focus on core logic enables us to develop innovative system architectures, which in combination with our GPUs creates exciting platforms for the markets we serve. Our SLI™ multi-GPU technology is a perfect example. SLI is the #1 multi-GPU technology in the market and has revolutionized PCs for gamers, enthusiasts, and creative professionals. Second, the core logic is the center of integration. Networking, storage, and connectivity technologies are already combine into the core logic. With leadership positions in core logic and GPUs, we can integrate nForce and GeForce to create a "motherboard GPU." NVIDIA is the only provider of a single-chip motherboard GPU today, enabling a Vista Premium PC to be built with only two main chips—a CPU and a GeForce motherboard GPU.

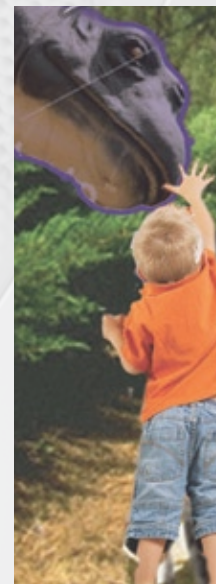
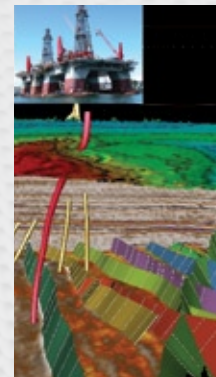
NVIDIA Quadro. For design and creative professionals, the ability to visualize complex data is critical to their work. For those who absolutely demand the best professional-class visual computing solutions, NVIDIA Quadro® products are the undisputed choice. The requirement for professional workstations is global, reflecting the increasingly global adoption of the computer-aided design approach in every aspect of product creation. The market for professional graphics was over three million units per year and our unit growth, at over 25 percent, outpaced the overall market. NVIDIA has the leading position with over 80 percent market share by revenue. We have achieved this market position by providing the best GPU technology, software, and tools that integrate the capabilities of our GPU with a broad array of visualization applications.



The Quadro product line also offers critical technologies that enable complex system solutions such as the massive display walls at automotive companies, the virtual sets at television studios, and HDTV broadcasts with real-time composite graphics, like the yellow “first down line” in U.S. professional football broadcasts. NVIDIA Quadro is certified and optimized for every major software design package and offered by every workstation OEM including Apple, Dell, Fujitsu-Siemens, HP, IBM, Lenovo, NEC, SGI, and Sun. Our professional solutions business has grown 240 percent over the past five years and achieved a record year with \$455 million in sales last year.

We expanded our business opportunities this past year by creating a new product category with the introduction of the Quadro Plex™, a stand-alone scalable visual computing system (VCS) that enables graphics performance to be scaled independently of the CPU. The Quadro Plex VCS can be configured to include up to eight of our highest performance GPUs. Multiple Quadro Plexes can be further configured in a server rack to create a massive visual supercomputer. These system configurations have previously been served by large scale and expensive proprietary Image Generators from legacy workstation companies. Many of these installations around the world are aging and ready for upgrade. The Quadro Plex VCS brings a breakthrough in price-performance and visual computing density and will form the core of the modern Image Generator.

GoForce. We believe your mobile device is about to become your most personal computer. The advancement of semiconductor technology, digital displays, flash memory, and wireless technology has now made it possible to put the power of a full computer into a handheld device. With consumers demanding e-mail, Internet access, music, games, and video programming, the market for multimedia smartphones is set to take off. Excitement over devices like Apple’s iPhone indicates that the market is ready for a mobile device that combines the capabilities of a PC, an iPod, a game player, a camcorder, and a cell phone in one small form factor that you can take everywhere.



The strategy of our GoForce® handheld GPU business unit is to leverage our graphics and multimedia expertise to address the increasing desire of handset manufacturers and carriers to include these capabilities in modern mobile devices. Our ultra-low power GPUs already drive tens of millions of the most sophisticated phones—from the Samsung TV phone to the Motorola 3G RAZR. And with the acquisition of PortalPlayer, whose technology powers the original Apple iPod, we intend to combine our capabilities to create single-chip mobile processors that will drive the mobile personal computing revolution. These SoCs, or System-on-Chips, integrate the CPU, GPU, video/imaging/audio processors, system core logic—all technologies in which NVIDIA has expertise. The smartphone market is predicted to quadruple in the next three years to 450 million units per year. We are excited about the amazing products we are building and the opportunities in this market.

High-Performance Computing. I am excited to tell you about a new initiative we are launching to bring the power of the GPU to the high-performance computing arena. Graphics is one of the most computationally-demanding tasks in all of computing. To generate real-time photo-realistic images, GPUs perform mathematical operations orders of magnitude faster than the fastest CPUs. Our modern GPUs are capable of performing hundreds of billions of mathematical operations per second. With ever-increasing consumer demand for more beautiful and realistic imagery, each generation of our GPUs has dramatically increased in computational capability as well as programmability. Last fall, with the launch of our new generation of GPUs, we introduced CUDA™, a revolutionary new computing architecture that enables the vast computational resources of the GPU to be utilized to solve complex computational problems. We call this new class of computing “GPU Computing.” By utilizing a GPU, PCs will be transformed into supercomputing workstations and perform computational tasks many times faster than with a CPU alone. GPU Computing will open new worlds for biology, finance, genomics, and many other fields in science and industry that are bound by current computational methods.

Based on the early response we are getting from programmers, scientists, and engineers, it is apparent that GPU Computing represents a significant opportunity to advance the adoption of computational methods across a broad range of industries.

The Era of the GPU

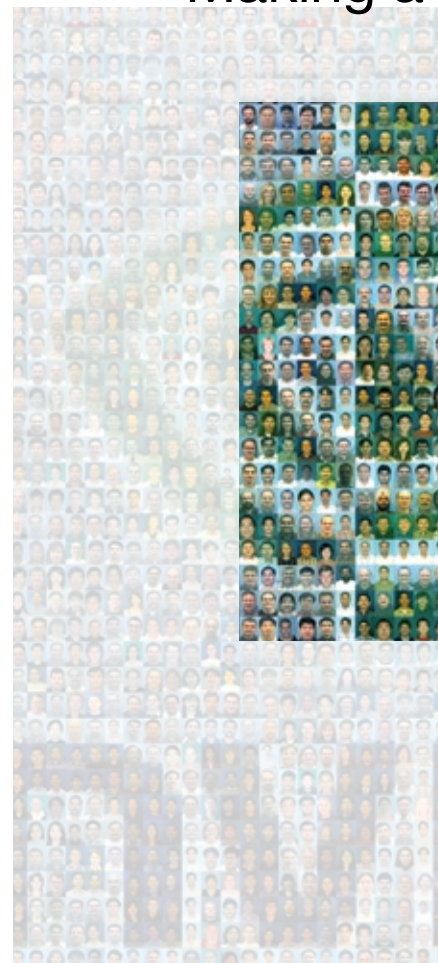
Game Consoles. Computer graphics enables game creators to bring their imaginations and the imaginary worlds they create to life. As the world leader in visual computing technologies, we are a key development partner for game console makers. This generation we partnered with Sony to create the amazing PLAYSTATION 3. I expect the PS3—which is powered by the most forward-looking technologies, including the Cell processor, Blu-ray optical disk drive, and NVIDIA RSX graphics technology—to be the center of high-definition home entertainment for the decade to come.

Over the past 10 years, we have delivered a cumulative 500 million GPUs, over 100 million of which shipped in the last year alone. But this is just the beginning. Over the coming years, GPUs will be pervasive in mobile phones, automobiles, game consoles, media centers, and a wide range of devices not yet conceived. With the investments we've made, we see a clear path to shipping several hundred million GPUs per year.

We have a clear and focused strategy—to continue to expand the GPU's ability to enable and enhance a broad range of applications, and to extend the reach of GPUs to an ever-growing range of devices. The multiplicative effect from increasing “the # of GPU applications” on “the # of devices with GPUs” creates significant opportunities for us.

Over the next 10 years, we estimate that over 10 billion GPUs will be needed to power PCs, mobile devices, cars, TVs, consoles, and many not-yet-invented digital devices. As the only standalone GPU company in the world, we have a great responsibility and an amazing opportunity. We look at the years ahead as the “Era of the GPU.”

Making a Difference



All of us at NVIDIA have dedicated ourselves to building a great company—a company with an important purpose, a soul, the passion to innovate, and the courage to lead. I am proud of the character of our company. We have created a culture that enthusiastically invents and explores new ideas to solve important problems for our customers. We are not afraid to take on big challenges that may lead to failure; in fact, we celebrate what we learn from it. I can trace the giant opportunity we see today with GPU Computing directly to experiments and failures we made five years ago.

In our offices around the world, our employees work not only to make a difference in technology and business—we also make it a priority to help those in need. During the past holiday season, we focused our energy on raising money for those who suffer from hunger. Our employees donated nearly \$900,000 for hunger-related causes. While our passion to innovate is a credit to our company, it is our compassion for others that makes NVIDIA employees an outstanding addition to their communities.

Thank You

In closing, I would like to sincerely thank NVIDIA's customers, partners, and stockholders for their continued support and confidence. I would also like to thank NVIDIA employees and their families for making NVIDIA a company that is changing the world. I am incredibly proud of the company we've built together, our great brands, and the amazing products we produce and enable.

Handwritten signature of Jen-Hsun Huang.

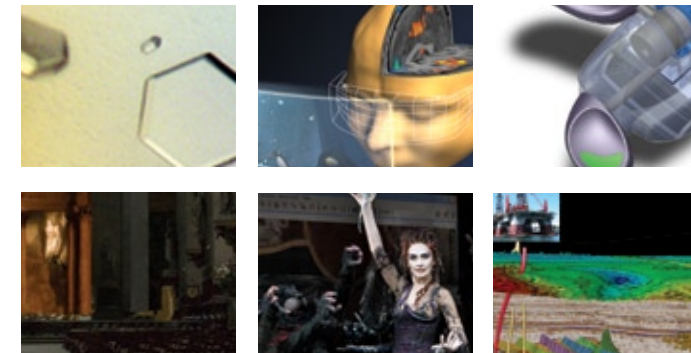
Jen-Hsun Huang
NVIDIA Corporation
May 2007





Transforming Industries

NVIDIA GPUs are used to entertain, create, educate, and explore. We partner with industry leaders on a broad range of applications. For example, Procter & Gamble uses HP workstations equipped with our GPU to visualize product designs. Automotive engineers at DaimlerChrysler use NVIDIA products for advanced industrial styling. Sony partnered with us to create the amazing graphics for PLAYSTATION 3. Samsung utilized our GPUs to display digital TV on mobile phones, while Sony Pictures relied on us to bring imagination to life in *The DaVinci Code*. And, we are the essential gear of “cyber athletes” like TEAM 3D who demand state-of-the-art GPUs for a competitive edge.



What people are saying

Biosciences

Our NVIDIA-based platform is eliminating the traditional obstacles to protein crystal imaging.

Dominique Toppani | Axygen Biosciences

Health

NVIDIA graphics are helping us transform the way medicine is conducted.

Dr. Hunter Hoffman | University of Washington

Industrial Design

NVIDIA technology enabled us to present our CAD-based work to people in a clear and visually compelling way, resulting in increased product understanding and better business opportunities.

Marty Albini | Strategix Vision

Entertainment

By working with NVIDIA, Rainmaker has been able to take the concept of a virtual movie set to the next level.

Jason Dowdeswell | Rainmaker

The Arts

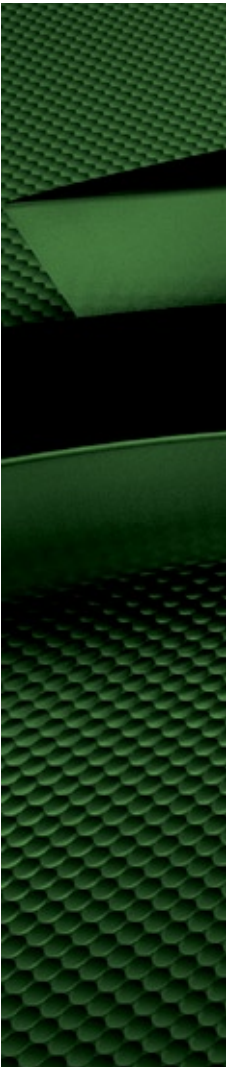
NVIDIA technology doesn't just save time and money—it has actually improved the artistic content of our productions.

David Harvey | Royal Opera House

Oil and Gas

NVIDIA high-end graphic solutions address a real need for geoscientists as they allow standard workstations and servers to drive high-performance, large-scale visualization configurations. This enables geoscientists to interpret their data at its highest resolution, without losing sight of the regional context.

Nicholas Purday | Landmark



NVIDIA Corporation

Headquarters | Santa Clara, California, USA

CHINA | FINLAND | FRANCE | GERMANY | HONG KONG | INDIA | JAPAN | KOREA | RUSSIA | TAIWAN | U.K.

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