TIVO INC
Form 10-Q
September 09, 2004
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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 July 31, 2004.**

**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 000-27141**

# TIVO INC.

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware**<br>**(State or other jurisdiction of incorporation or organization)** | **77-0463167**<br>**(I.R.S. Employer Identification No.)** |

**2160 Gold Street, P.O. Box 2160, Alviso, CA 95002**

**(Address of principal executive offices including zip code)**

**(408) 519-9100**

**(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 ¨.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES x NO ¨.

The number of shares outstanding of the registrant s common stock, $0.001 par value, was 80,342,617 as of August 30, 2004.

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TiVo Inc.

Form 10-Q

For the Fiscal Quarter Ended July 31, 2004

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Except as the context otherwise requires, the terms TiVo , Registrant , company , we , us , or our as used herein are references to TiVo Inc. a
consolidated subsidiaries.

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**PART I : FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**TIVO INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(In thousands, except share amounts)**

**(unaudited)**

| | July 31, 2004 | January 31, 2004 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents. | $ 129,993 | $ 143,235 |
| Accounts receivable (includes $0 and $1,500 due from related parties), net of allowance for doubtful accounts of $134 and $17 as of July 31, 2004 and January 31, 2004, respectively | 14,660 | 12,131 |
| Inventories | 23,088 | 8,566 |
| Prepaid expenses and other, current (includes $0 and $2,832 prepaid to related parties as of July 31, 2004 and January 31, 2004, respectively) | 4,545 | 5,184 |
| Total current assets. | 172,286 | 169,116 |
| **LONG-TERM ASSETS** | | |
| Property and equipment, net . | 8,192 | 8,695 |
| Intangible assets, net | 2,166 | 2,201 |
| Prepaid expenses and other, long-term (includes $0 and $3,268 prepaid to related parties as of July 31, 2004 and January 31, 2004, respectively) | 2,054 | 3,879 |
| Total long-term assets. | 12,412 | 14,775 |
| Total assets. | $ 184,698 | $ 183,891 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| **LIABILITIES** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable. | $ 32,732 | $ 15,028 |

| | | |
|---|---|---|
| Accrued liabilities (includes $0 and $880 due to related parties as of July 31, 2004 and January 31, 2004, respectively) | 14,604 | 16,125 |
| Deferred revenue, current (includes $0 and $1,814 from related parties as of July 31, 2004 and January 31, 2004, respectively) | 37,350 | 38,392 |
| Total current liabilities. | 84,686 | 69,545 |
| **LONG-TERM LIABILITIES** | | |
| Convertible notes payable (face value $10,450) | 6,866 | 6,005 |
| Deferred revenue, long-term. | 43,538 | 41,895 |

The accompanying notes are an integral part of these statements.

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**TIVO INC.**

**CONSOLIDATED BALANCE SHEETS (CONTINUED)**

**(In thousands, except share amounts)**

**(unaudited)**

| | July 31, 2004 | January 31, 2004 |
|---|---|---|
| Deferred rent and other | 626 | 814 |
| Total long-term liabilities. | 51,030 | 48,714 |
| Total liabilities | 135,716 | 118,259 |
| **COMMITMENTS AND CONTINGENCIES (see Note 6)** | | |
| **STOCKHOLDERS EQUITY** | | |
| Preferred stock, par value $0.001: Authorized shares are 10,000,000 Issued and outstanding shares - none | | |
| Common stock, par value $0.001: Authorized shares are 150,000,000 Issued and outstanding shares are 80,319,843 and 79,588,476 respectively | 80 | 80 |
| Additional paid-in capital | 646,547 | 644,064 |
| Deferred compensation. | (568) | (1,262) |
| Accumulated deficit | (597,077) | (577,250) |
| Total stockholders equity | 48,982 | 65,632 |
| Total liabilities and stockholders equity | $ 184,698 | $ 183,891 |

The accompanying notes are an integral part of these statements.

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**TIVO INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**(In thousands, except share and per share amounts)**

**(unaudited)**

| | Three Months Ended July 31, 2004 | Three Months Ended July 31, 2003 | Six Months Ended July 31, 2004 | Six Months Ended July 31, 2003 |
|---|---|---|---|---|
| Revenues | | | | |
| Service and technology revenues (includes $1,718, $4,078, $6,805 and $8,390 from related parties for the three months and six months ended July 31, 2004 and 2003, respectively) . | $ 27,760 | $ 17,406 | $ 52,934 | $ 33,474 |
| Hardware revenues | 18,592 | 8,057 | 32,929 | 22,866 |
| Rebates, revenue share and other payments to channel | (6,576) | 1,209 | (11,564) | (1,148) |
| Net revenues | 39,776 | 26,672 | 74,299 | 55,192 |
| Costs of revenues | | | | |
| Costs of service and technology revenues | 9,544 | 6,929 | 17,099 | 14,732 |
| Cost of hardware revenues | 22,720 | 8,558 | 39,570 | 22,736 |
| Total cost of revenues | 32,264 | 15,487 | 56,669 | 37,468 |
| Gross margin | 7,512 | 11,185 | 17,630 | 17,724 |
| Research and development | 8,138 | 5,789 | 17,137 | 11,261 |
| Sales and marketing (includes $284, $1,909, $1,100 and $3,782 to related parties for the three months and six months ended July 31, 2004 and 2003, respectively) | 6,026 | 4,502 | 11,626 | 8,501 |
| General and administrative | 3,794 | 4,061 | 8,033 | 7,839 |
| Total operating expenses | 17,958 | 14,352 | 36,796 | 27,601 |
| Loss from operations. | (10,446) | (3,167) | (19,166) | (9,877) |
| Interest income. | 366 | 116 | 693 | 230 |
| Interest expense and other | (668) | (1,311) | (1,324) | (2,585) |
| Loss before income taxes | (10,748) | (4,362) | (19,797) | (12,232) |
| Provision for income taxes | (12) | (25) | (30) | (37) |

| | | | | |
|---|---|---|---|---|
| Net loss | $ (10,760) | $ (4,387) | $ (19,827) | $ (12,269) |
| Net loss per common share-basic and diluted | $ (0.13) | $ (0.07) | $ (0.25) | $ (0.19) |
| Weighted average common shares used to calculate basic and diluted | 80,196,728 | 65,834,234 | 79,998,296 | 64,927,790 |

The accompanying notes are an integral part of these statements.

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**TIVO INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS S EQUITY**

**(In thousands, except share amounts)**

**(unaudited)**

| | Common Stock | | | | | |
|---|---|---|---|---|---|---|
| | Shares | Amount | Additional Paid-In Capital | Deferred Compensation | Accumulated Deficit | Total |
| **BALANCE JANUARY 31, 2004** | 79,588,476 | $ 80 | $ 644,064 | $ (1,262) | $ (577,250) | $ 65,632 |
| Cashless exercise of 654,487 warrants resulting in the net issuance of 241,492 shares of common stock. | 241,492 | | | | | 0 |
| Issuance of common stock related to purchase of patent rights. | 31,708 | | 306 | | | 306 |
| Issuance of common stock related to exercise of common stock options. | 204,199 | | 987 | | | 987 |
| Issuance of common stock related to employee stock purchase plan. | 227,517 | | 1,228 | | | 1,228 |
| Retirement due to forfeiture of unvested restricted common stock | (16,852) | | (144) | 144 | | 0 |
| Recognition of stock based compensation expense | | | | 298 | | 298 |
| Net loss | | | | | (9,067) | (9,067) |
| **BALANCE APRIL 30, 2004** | 80,276,540 | 80 | 646,441 | (820) | (586,317) | 59,384 |
| Issuance of common stock related to exercise of common stock options. | 43,303 | | 106 | | | 106 |
| Recognition of stock based compensation expense | | | | 252 | | 252 |
| Net loss | | | | | (10,760) | (10,760) |
| **BALANCE JULY 31, 2004** | 80,319,843 | $ 80 | $ 646,547 | $ (568) | $ (597,077) | $ 48,982 |

The accompanying notes are an integral part of these statements.

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**TIVO INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In thousands)**

**(unaudited)**

| | Six Months Ended July 31, 2004 | Six Months Ended July 31, 2003 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss | $ (19,827) | $ (12,269) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization of property and equipment and intangibles. | 2,330 | 2,859 |
| Amortization of prepaid advertising | | 752 |
| Non-cash interest expense | 940 | 1,863 |
| Recognition of stock-based compensation expense | 550 | 16 |
| Amortization of note receivable | | 470 |
| Changes in assets and liabilities: | | |
| Accounts receivable, net (change includes $1,500 and $151 from related parties for the six months ended July 31, 2004 and 2003) | (2,529) | 1,528 |
| Inventories | (14,522) | 631 |
| Prepaid expenses and other, current (change includes $2,832 and $(19) to related parties for the six months ended July 31, 2004 and 2003, respectively) | 560 | 226 |
| Prepaid expenses and other, long-term (change includes $3,268 and $370 to related parties for the six months ended July 31, 2004 and 2003, respectively) | 1,825 | 676 |
| Accounts payable | 17,704 | (2,835) |
| Accrued liabilities (change includes $(880) and $(1,151) to related parties for the six months ended July 31, 2004 and 2003, respectively) | (1,215) | (5,856) |
| Deferred revenue, current (change includes $(1,814) and $(1,541) from related parties for the six months ended July 31, 2004 and 2003, respectively) | (1,042) | (754) |
| Deferred revenue, long-term | 1,643 | 278 |
| Deferred rent and other long-term liabilities | (188) | (606) |
| Net cash used in operating activities | (13,771) | (13,021) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisition of property and equipment, net | (1,792) | (785) |
| Net cash used in investing activities | (1,792) | (785) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issuance of common stock related to employee stock purchase plan | 1,228 | 820 |
| Proceeds from issuance of common stock related to exercise of common stock options | 1,093 | 5,477 |
| Cash proceeds from issuance of common stock | | 26,623 |
| Payment of issuance costs for common stock | | (500) |

| | | |
|---|---|---|
| Net cash provided by financing activities | 2,321 | 32,420 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (13,242) | 18,614 |

The accompanying notes are an integral part of these statements.

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**TIVO INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**

**(In thousands)**

**(unaudited)**

| | Six Months Ended July 31, 2004 | Six Months Ended July 31, 2003 |
|---|---|---|
| **CASH AND CASH EQUIVALENTS:** | | |
| Balance at beginning of period | 143,235 | 44,201 |
| Balance at end of period | $ 129,993 | $ 62,815 |
| **SUPPLEMENTAL DISCLOSURE OF CASH AND NON-CASH FLOW INFORMATION** | | |
| Cash paid for interest. | $ (387) | $ (722) |
| **SUPPLEMENTAL DISCLOSURE OF RESTRICTED CASH AND OTHER NON-CASH INVESTING AND FINANCING INFORMATION** | | |
| Cashless exercise of 654,487 warrants resulting in the net issuance of 241,492 shares of common stock | | |
| Adjustment to deferred compensation as a result of retirement due to forfeiture of unvested restricted common stock. | (144) | |
| Issuance of common stock for purchase of patents rights | (306) | |
| Issuance of compensatory common stock grant at $10.57 per share | | (370) |

The accompanying notes are an integral part of these statements.

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**TIVO INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

## 1. NATURE OF OPERATIONS

TiVo Inc. (the Company or TiVo ) was incorporated in August 1997 as a Delaware corporation and is located in Alviso, California. On August 21, 2000, TiVo (UK) Ltd., a wholly owned subsidiary of TiVo Inc., was incorporated in the United Kingdom. On October 9, 2001, the Company formed a subsidiary, TiVo International, Inc., also a Delaware corporation. On July 16, 2004, TiVo Intl. II, Inc., a wholly owned subsidiary of TiVo Inc., was incorporated in the Cayman Islands. TiVo is a provider of technology and services for digital video recorders, or DVRs. The Company has developed a subscription-based television service (the TiVo service ) that allows consumers to record, watch, and control television. The TiVo service also offers the television industry a platform for advertisers, content delivery, and audience research. The TiVo service requires a TiVo-enabled DVR or set-top box. These may be purchased at major consumer electronics retailers throughout the United States or through the Company s website. Many currently available TiVo-enabled DVRs are broadband-enabled and offer customers the ability to enjoy digital music and photos.

The Company continues to be subject to a number of risks, including delays in development; competitive service offerings; lack of market acceptance and uncertainty of future profitability; the dependence on third parties for manufacturing, marketing, and sales support; the intellectual property claims against the Company; and its highly dependent relationship with DIRECTV. The Company conducts its operations through one reportable segment. The Company anticipates that its business will continue to be seasonal and expects to generate a significant number of its annual new subscriptions during and immediately after the holiday shopping season.

### Unaudited Interim Condensed Consolidated Financial Statements

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the unaudited interim condensed consolidated financial statements do not contain all of the information and footnotes required by generally accepted accounting principles for complete audited annual financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the Company s financial position as of July 31, 2004 and January 31, 2004 and the results of operations for the three and six-month periods ended July 31, 2004 and 2003 and condensed consolidated statements of cash flows for the six-month periods ended July 31, 2004 and 2003. Additionally, included is the unaudited statement of stockholders equity for the six-month period ended July 31, 2004. These condensed consolidated financial statements should be read in conjunction with the Company s audited consolidated financial statements as of January 31, 2004 and 2003, including the notes thereto, included in the Company s 2004 Annual Report on Form 10-K. Operating results for the three and six-month periods ended July 31, 2004 are not necessarily indicative of results that may be expected for the year ending January 31, 2005.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Related Parties Relationships

In June 2004, the Company s relationship with DIRECTV changed. As a result, the Company determined it no longer maintained a related party relationship with DIRECTV as DIRECTV no longer holds an equity position of 5% or more in the Company, DIRECTV no

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longer had a director on the Company s board of directors and DIRECTV was not in a position to significantly influence the Company s management or operating expenses. Accordingly, the Company did not reflect transactions with DIRECTV for activities after May 31, 2004 in the parenthetical related party transaction disclosures included on the consolidated condensed balance sheets and consolidated condensed statements of operations and cash flows for the three months ended July 31, 2004. There was no change to the related party classifications for prior years.

**Basis of Presentation**

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Actual results could differ from those estimates.

**Inventories**

TiVo introduced its Series2 TiVo-enabled DVRs in January 2002. The Company sells these units to certain retailers and distributors, including Best Buy, who make the recorders available nationwide in retail stores, as well as through TiVo s own online direct sales. As part of these hardware sales activities, TiVo maintains a finished goods inventory of the TiVo-enabled DVRs throughout the year. Inventories are stated at the lower of cost or net realizable value on an aggregate basis, with cost determined using the first-in, first-out method.

**Property and Equipment**

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over estimated useful lives as follows:

| | |
|---|---|
| Furniture and fixtures | 3-5 years |
| Computer and office equipment | 3-5 years |
| Lab equipment | 3 years |
| Leasehold improvements | The shorter of 7 years or the life of the lease |
| Capitalized software for internal use | 1-5 years |

Maintenance and repair expenditures are expensed as incurred.

**Capitalized Software**

Costs of computer software to be sold, leased or otherwise marketed have been accounted for in accordance with SFAS No. 86, Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed. The Company achieves technological feasibility upon development of a working model. The period between the development of a working model and the release of the final product to customers is short and, therefore, the development costs incurred during this short period are immaterial and, as such, are not capitalized.

**Deferred Rent and Other Long-Term Liabilities**

Deferred rent and other long-term liabilities consist primarily of accrued rent resulting from the recognition of the long-term portion of rent and related property taxes and insurance for the Company s corporate headquarters office buildings.

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**Revenue Recognition and Deferred Revenue**

During the three and six-month periods ended July 31, 2004 and 2003 the Company generated service revenues from fees for providing the TiVo service to consumers. The Company also generated technology revenues from providing licensing and engineering professional services to other entities that were creating products that provide DVR functionality. In addition, in an effort to increase its subscription growth, the Company manufactured and distributed TiVo branded DVRs. This effort resulted in revenues from the sale of hardware products that enable the TiVo service.

Net revenues for the three and six months ended July 31, 2004 and 2003, respectively, were as follows:

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | (In thousands) | | | |
| **Net revenues** | | | | |
| Service revenues | $ 24,333 | $ 13,757 | $ 46,492 | $ 26,459 |
| Technology revenues | 3,427 | 3,649 | 6,442 | 7,015 |
| Hardware revenues | 18,592 | 8,057 | 32,929 | 22,866 |
| Rebates, revenue share, and other payments to channel | (6,576) | 1,209 | (11,564) | (1,148) |
| **Net revenues** | $ 39,776 | $ 26,672 | $ 74,299 | $ 55,192 |

Revenues from advertising and research services included in service revenues were not material during these periods. For the six months ended July 31, 2004 and 2003, one retail customer generated $17.1 million and $7.2 million of hardware revenues, or approximately 23% and 13% of net revenues, respectively. The same retail customer generated $10.8 million and $2.5 million of hardware revenues, or approximately 27% and 10% of net revenues, respectively, for the three months ended July 31, 2004 and 2003.

**Service Revenues**. Included in service revenues are revenues from monthly and annual subscription fees to the TiVo service. These subscription revenues are recognized over the period benefited. Subscription revenues from product lifetime subscriptions are recognized ratably over a four-year period, the Company s estimate of the useful life of the DVR.

**Technology Revenues**. The Company recognizes technology revenues under technology license and engineering professional services agreements in accordance with the American Institute of Certified Public Accountant s Statement of Position ( SOP ), 97-2, Software Revenue Recognition, as amended. These agreements contain multiple-elements in which vendor specific objective evidence ( VSOE ) of fair value is required for all undelivered elements in order to recognize revenue related to the delivered element. Elements included in the Company s arrangements may include technology licenses and associated maintenance and support, engineering professional services and other services. The timing of revenue recognition related to these transactions will depend, in part, on whether the Company can establish VSOE for undelivered elements and on how these transactions are structured. As such, revenue recognition may not correspond to the timing of related cash flows or the Company s work effort.

In arrangements which include engineering professional services that are essential to the functionality of the software or involve significant customization or modification of the software, the Company recognizes revenue using the percentage-of-completion method, as described in SOP 81-1 Accounting for Performance of Construction-Type and Certain Production-Type Contracts, if the Company believes it is able to make reasonably dependable estimates of the extent of progress toward completion. The Company measures progress toward completion based on the ratio of costs incurred to date to total estimated costs of the project, an input method. These estimates are assessed continually during the term of the contract and revisions are reflected when the conditions become known. In some cases, the Company has accepted engineering professional service contracts that were expected to be losses at the time of acceptance in order to gain experience in

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developing new technology that could be used in future products and services. Provisions for all losses on contracts are recorded when estimates indicate that a loss will be incurred on a contract. If the Company is not able to estimate total project revenues, costs, or progress toward completion, but is able to estimate that no loss will be incurred on an arrangement, the Company recognizes revenue to the extent of incremental direct costs until the engineering professional services are complete. Thereafter, any remaining revenue is recognized over the period the maintenance and support or other services are provided.

**Hardware Revenues.** The Company recognizes hardware revenues, net of allowance for sales returns, from the sales of its TiVo-enabled DVRs. Hardware revenues are recognized upon shipment to consumers or upon delivery to retail customers. The fees for shipping and handling paid by customers are recognized as hardware revenues. The costs associated with shipping and handling these DVRs are expensed as cost of hardware revenues.

**Rebates, Revenue Share, and Other Payments to Channel.** In accordance with Emerging Issues Task Force (EITF) 01-09, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendors Products) , certain payments to customers such as market development funds and revenue share are shown as a reduction to revenue rather than as a sales and marketing expense. Fiscal year 2004 expenses reflected the reversal of the rebate accrual for rebate programs that ended on April 30, 2003. These payments are classified as rebates, revenue share, and other payments to channel.

**Deferred Revenues**. Deferred revenues consists of unrecognized service and technology fees that have been collected, however the related service has not yet been provided or VSOE of fair value does not exist for the undelivered elements of an arrangement.

**Research and Development**

Research and development expenses consist primarily of employee salaries, related expenses, and consulting fees relating to the development of the TiVo service platform and products that enable the TiVo service. Research and development costs are expensed as incurred.

**Sales and Marketing**

Sales and marketing expenses consist primarily of employee salaries and related expenses, media advertising, public relations activities, special promotions, trade shows, and the production of product related items, including collateral and videos. Additionally, included are sales and marketing expenses that consist of cash and non-cash charges related to the Company s agreements with related parties.

**Advertising**

The Company expenses advertising costs as the services are provided. Advertising expenses were $1.2 million and $1.7 million for the three and six months ended July 31, 2004 and $444,000 and $199,000 for the three and six months ended July 31, 2003, respectively.

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**Interest Expense and Other**

Interest expense and other consists of cash and non-cash charges related to interest expense paid to related parties and non-related parties. Included in interest expense are cash charges for coupon interest expense related to the convertible notes payable. Included in non-cash interest expense is amortization of discount on the convertible notes payable and debt issuance costs. The following table summarizes the components of interest expense and other:

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | (In thousands) | | | |
| Total cash interest expense | 193 | $ 364 | 387 | $ 722 |
| Total non-cash interest expense | 475 | 947 | 940 | 1,863 |
| **Total interest expense** | 668 | 1,311 | 1,327 | 2,585 |
| Total other expenses | | | (3) | |
| **Total interest expense and other** | **$ 668** | **$ 1,311** | **$ 1,324** | **$ 2,585** |

**Stock-Compensation**

The Company has stock option plans and an Employee Stock Purchase Plan ( ESPP ), under which officers, employees, consultants and non-employee directors may be granted options to purchase shares of the Company s authorized but un-issued or reacquired common stock, and may also be granted restricted stock and other stock awards. The Company s stock option plans are accounted for under the intrinsic value recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. During the six months ended July 31, 2004, options to purchase 2,795,450 shares were granted under the Company s stock option plans at exercise prices equal to the market price of the underlying common stock on the date of grant. There were no stock options granted with exercise prices less than or greater than market price at the date of grant during this period. The weighted average fair value of the stock options granted during the six months ended July 31, 2004 was $3.18. In addition to the stock options granted during the six months ended July 31, 2004, 16,852 shares of unvested restricted stock that had been granted to an employee who was a former employee were retired due to forfeiture. This resulted in a reversal of $144,000 of deferred compensation. There were 227,517 shares issued to employees under the Company s ESPP during the six months ended July 31, 2004. The weighted average fair value of the offerings to purchase ESPP shares for the six months ended July 31, 2004 was $2.06. Stock-based compensation expense recognized for the six months ended July 31, 2004 was $550,000.

During the six months ended July 31, 2003, options to purchase 3,149,100 shares were granted under the stock option plans at exercise prices equal to the market price of the underlying common stock on the date of grant. There were no stock options granted with exercise prices less than market price at the date of grant during this period. The weighted average fair value of the stock options granted during the six months ended July 31, 2003 was $3.09. There were 235,918 shares issued to employees under the Company s Employee Stock Purchase Plan during the six months ended July 31, 2003. The weighted average fair value of the offerings to purchase these ESPP shares for the six months ended July 31, 2003 was $1.45.

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The following table illustrates the effect on the Company s net loss and basic and diluted loss per share as if the Company had applied the fair value recognition provisions of SFAS No. 123, as amended, to options granted under the Company s stock option plans and under the Company s ESPP for the three and six months ended July 31, 2004 and 2003:

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | (In thousands, except per share data) | | | |
| Net loss, as reported | $ (10,760) | $ (4,387) | $ (19,827) | $ (12,269) |
| Add back: stock based compensation expense recognized, net of related tax effects | 252 | 16 | 550 | 16 |
| Pro forma effect of stock based compensation expense determined under the fair value method for all awards, net of related tax effects | (2,741) | (3,518) | (6,138) | (7,148) |
| Net loss, pro forma | $ (13,249) | $ (7,889) | $ (25,415) | $ (19,401) |
| Basic and diluted loss per common share, as reported | $ (0.13) | $ (0.07) | $ (0.25) | $ (0.19) |
| Basic and diluted loss per common share, pro forma | $ (0.17) | $ (0.12) | $ (0.32) | $ (0.30) |

Option-pricing models require the input of highly subjective assumptions, including the option s expected life and the price volatility of the underlying stock.

The fair value of each option grant under SFAS 123 was estimated on the date of grant using the Black-Scholes option-pricing model. The fair value of stock options issued to employees and non-employee directors and ESPP offerings were estimated using the Black Scholes option-pricing model assuming no expected dividends and the following weighted average assumptions:

| | ESPP | | Stock Options | |
|---|---|---|---|---|
| | Six Months Ended July 31, | | | |
| Weighted average assumptions | 2004 | 2003 | 2004 | 2003 |
| Expected term (in years) | 0.5 | 0.5 | 4.0 | 4.0 |
| Volatility | 53% | 50% | 51% | 50% |
| Average risk free interest rate | 1.35% | 1.86% | 3.34% | 2.90% |

**Net Loss Per Common Share**

Basic and diluted net loss per common share is calculated in accordance with SFAS No. 128, Earnings per Share. Basic net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding excluding repurchasable common stock of 537,433 and unvested restricted stock outstanding of 68,647 shares for the six months ended July 31, 2004 and repurchasable common stock of 555,412 shares for the six months ended July 31, 2003.

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The weighted average number of shares outstanding used in the computation of basic and diluted net loss per share does not include the effect of the following potentially outstanding shares of common stock. The effect of these potentially outstanding shares were not included in the calculation of diluted net loss per share because the effect would have been antidilutive:

| | Six Months Ended July 31, | |
|---|---|---|
| | 2004 | 2003 |
| Repurchasable common stock | 537,433 | 555,412 |
| Unvested restricted stock outstanding | 68,647 | |
| Number of common shares issuable for convertible notes payable | 2,619,045 | 5,125,313 |
| Options to purchase common stock | 15,059,294 | 12,952,006 |
| Potential shares to be issued from ESPP | 485,505 | 385,200 |
| Warrants to purchase common stock | 4,843,644 | 5,800,209 |
| Total | 23,613,568 | 24,818,140 |

In February 2004, Global Alliance Partners exercised two of their three-year warrants to purchase 15,000 shares in a cashless exercise that resulted in the net issuance of 10,886 shares of the Company s common stock. Additionally, NBC, a related party, exercised their five-year warrant to purchase 490,196 shares in a cashless exercise that resulted in the net issuance of 167,373 shares of the Company s common stock. NBC was issued this warrant in conjunction with the issuance of the convertible notes payable in August 2001.

DIRECTV was issued 155,941 two-year warrants in April 2002 in conjunction with the Warrant and Registration Rights Agreement. These warrants were transferred by DIRECTV to their parent company, Hughes Electronics Corporation. In March 2004, Hughes Electronics Corporation, a former related party, exercised warrants to purchase 149,291 shares in a cashless exercise that resulted in the net issuance of 63,233 shares of the Company s common stock. The remaining 6,650 warrants expired, unexercised on April 16, 2004.

**Comprehensive Loss**

The Company has no material components of other comprehensive income or loss and, accordingly, the Comprehensive Loss is the same as the net loss for all periods presented.

**Fair Value of Financial Instruments**

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to the short-term maturity of these instruments.

Because there is no active public market for the Company s convertible notes payable, the Company estimates the fair value of its outstanding convertible notes payable by utilizing the value of the common stock that the notes are convertible into. The Company estimates that the convertible notes payable can be valued using the fair value of the underlying stock.

As of July 31, 2004, the convertible notes payable long-term, face value of $10,450,000, were convertible (using the conversion price then in effect of $3.99) into 2,619,045 shares of the Company s common stock. The closing price of the Company s common stock on July 30, 2004, as quoted on the Nasdaq, was $5.65. If converted, the total fair value of these shares at the closing price would have been $14.8 million.

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**Business Concentrations and Credit Risk**

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains cash with various financial institutions. The Company performs periodic evaluations of the relative credit standing of these institutions. The majority of the Company s customers are concentrated in the United States. The Company is subject to a minimal amount of credit risk related to these customers as service revenue is primarily obtained through credit card sales.

The Company is dependent on single suppliers for several key components and services. The Company does not have contracts or arrangements with such suppliers. Instead, the Company purchases these components and services by submitting purchase orders with these companies. The Company also has an agreement with Tribune Media Services, its sole supplier of programming guide data for the TiVo service. If these suppliers fail to perform their obligations, the Company may be unable to find alternative suppliers or deliver its products and services to its customers on time or at all.

**3. SILICON VALLEY BANK LINE OF CREDIT**

On June 29, 2004, the Company renewed its loan and security agreement with Silicon Valley Bank for an additional two years, whereby Silicon Valley Bank agreed to increase the amount of the revolving line of credit it extends to it from a maximum of $6 million to $15 million. The first amendment to the Silicon Valley Bank loan and security agreement also replaces the borrowing base requirement with a requirement that the Company maintains a certain pre-determined Tangible Net Worth (as defined in the first amendment). The line of credit remains secured by a first priority security interest on all of the Company s assets except for its intellectual property. The line of credit now bears interest at the greater of prime or 4.00% per annum, but in an event of default that is continuing, the interest rate becomes 3.00% above the rate effective immediately before the event of default. The first amendment also allows the Company to enter into foreign exchange forward contracts in which it may commit to purchase from or sell to Silicon Valley Bank a set amount of foreign currency. The loan and security agreement includes, among other terms and conditions, limitations on the Company s ability to dispose of its assets; merge or consolidate with or into another person or entity; create, incur, assume or be liable for indebtedness (other than certain types of permitted indebtedness, including existing and subordinated debt and debt to trade creditors incurred in the ordinary course of business); create, incur or allow any lien on any of its property or assign any right to receive income except for certain permitted liens; make investments; pay dividends; or make distributions; and contains a requirement that the Company maintain certain financial ratios. Additionally, the loan and security agreement may limit the Company, under certain circumstances, from repaying the repurchase price of its convertible notes payable in cash. At July 31, 2004, the Company was in compliance with these covenants and had zero amounts outstanding under the line of credit. The line of credit terminates and any and all borrowings are due on June 29, 2006, but may be terminated earlier by the Company without penalty upon written notice and prompt repayment of all amounts borrowed.

**4. INDEMNIFICATION ARRANGEMENTS AND GUARANTEES**

**Product Warranties**

The Company accrues warranty costs for the expected material and labor required to provide warranty services on its hardware products. The methodology used in determining the liability for product warranty services is based upon historical information and experience. The Company s warranty reserve liability is calculated as the total volume of unit sales over the warranty period, multiplied by the expected rate of warranty returns multiplied by the estimated cost to replace or repair the customers product returns under warranty. The Company s minimum warranty period to consumers for TiVo-enabled DVRs is 90 days from the date of consumer purchase. Within the minimum warranty period, consumers are offered a no-charge exchange for TiVo-enabled DVRs returned due to product defect. After the minimum warranty period, consumers may exchange a TiVo-enabled DVR with a product defect for a charge. As of July 31, 2004 and 2003, the accrued warranty reserve was $611,000 and $629,000 respectively. The Company s accrued warranty reserve is included in accrued liabilities in the accompanying condensed consolidated balance sheets.

**Indemnification Arrangements**

The Company undertakes indemnification obligations in its ordinary course of business in connection with, among other things, the licensing of its products, the provision of consulting services and the issuance of securities. Pursuant to these agreements, the Company may indemnify the other party for certain losses suffered or incurred by the indemnified party, generally its business partners or customers, underwriters or certain investors, in connection with various types of claims, which may include, without limitation, claims of intellectual property infringement, certain tax liabilities, negligence, and intentional acts in the performance of services and violations of laws, including certain violations of securities laws. The term of these indemnification obligations is generally perpetual. The Company s obligation to provide indemnification would arise in the event that a third party filed a claim against one of the parties that was covered by the Company s indemnification obligation. As an example, if a third party sued a customer for intellectual property infringement and the Company agreed to indemnify that customer against such claims, its obligation would be triggered. In particular, as the Company has disclosed in Note 6, it is currently indemnifying Sony against a claim of intellectual property infringement brought by Command Audio in connection with Sony s manufacture and sale of TiVo devices.

The Company is unable to estimate with any reasonable accuracy the liability that may be incurred pursuant to its indemnification obligations. A few of the variables affecting any such assessment include but are not limited to: the nature of the claim asserted, the relative merits of the claim, the financial ability of the party suing the indemnified party to engage in protracted litigation, the number of parties seeking indemnification, the nature and amount of damages claimed by the party suing the indemnified party, and the willingness of such party to engage in settlement negotiations. Due to the nature of the Company s potential indemnity liability, its indemnification obligations could range from immaterial to having a material adverse impact on its financial position and its ability to continue in the ordinary course of business.

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Under certain circumstances, the Company may have recourse through its insurance policies that would enable it to recover from its insurance company some or all amounts paid pursuant to its indemnification obligations. The Company does not have any assets held either as collateral or by third parties that, upon the occurrence of an event requiring it to indemnify a customer, the Company could obtain and liquidate to recover all or a portion of the amounts paid pursuant to its indemnification obligations.

## 5. CONVERTIBLE NOTES PAYABLE

On August 28, 2001, the Company closed a private placement of $51.8 million in face value of 7% convertible notes payable due August 15, 2006 and warrants and received cash proceeds, net of issuance costs, of approximately $40.1 million from accredited investors. During the six months ended July 31, 2004, there were no conversions of notes payable. As of July 31, 2004, the Company had outstanding convertible notes payable at face value of $10.5 million, held by approximately four noteholders.

As of July 31, 2004, the carrying value of the convertible notes payable was as follows:

| As of July 31, 2004 | | Convertible notes payable |
|---|---|---|
| | | (In thousands) |
| Face value of convertible notes payable | $ | 10,450 |
| Unamortized discount resulting from warrants issued to noteholders | | (880) |
| Unamortized discount resulting from beneficial conversion feature | | (2,704) |
| **Carrying value of convertible notes payable as of July 31, 2004** | **$** | **6,866** |

Interest expense and other for the six months ended July 31, 2004 includes coupon interest expense of $366,000; amortization of the discount pertaining to the value of the warrants issued on convertible notes payable of $212,000; and amortization of the discount pertaining to the value of beneficial conversion of $649,000. Interest expense and other for the six months ended July 31, 2003 included coupon interest expense of $366,000; amortization of the discount pertaining to the value of the warrants issued on convertible notes payable of $192,000; and amortization of the discount pertaining to the value of beneficial conversion of $676,000.

Interest expense and other-related parties for the six months ended July 31, 2004 was zero. Interest expense and other-related parties for the six months ended July 31, 2003 included 7% coupon interest of $350,000; amortization of the discount pertaining to the value of the warrants issued on convertible notes payable-related parties of $184,000; and amortization of the discount pertaining to the value of beneficial conversion of $649,000.

On August 15, 2004, the Company paid $365,750 of coupon interest to holders of its convertible notes payable. Assuming there are no conversions, 7% coupon interest for the outstanding convertible notes payable is paid semi-annually with the next payment of $365,750 scheduled to be paid on February 15, 2005.

The Company may redeem, pursuant to the terms of the indenture governing the notes, some or all of the notes at any time before maturity at a redemption price of $1,000 per $1,000 principal amount of the notes, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

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**6. COMMITMENTS AND CONTINGENCIES**

**Legal Matters**

In September 1999, TiVo received letters from Time Warner, Inc. and Fox Television stating that TiVo s personal television service exploits these companies copyrights without the necessary licenses. The Company believes that the TiVo service does not infringe on these copyrights and believes that there will not be an adverse impact as a result of these letters.

On June 12, 2001, a securities class action lawsuit in which the Company and certain of its officers and directors are named as defendants was filed in the United States District Court for the Southern District of New York. This action, which is captioned *Wercberger v. TiVo et al*., also names several of the underwriters involved in the Company s initial public offering as defendants. This class action was brought on behalf of a purported class of purchasers of the Company s common stock from September 30, 1999, the time of its initial public offering, through December 6, 2000. The central allegation in this action is that the underwriters in the initial public offering solicited and received undisclosed commissions from, and entered into undisclosed arrangements with, certain investors who purchased TiVo common stock in the initial public offering and the after-market. The complaint also alleges that the TiVo defendants violated the federal securities laws by failing to disclose in the initial public offering prospectus that the underwriters had engaged in these allegedly undisclosed arrangements. More than 150 issuers have been named in similar lawsuits. In July 2002, an omnibus motion to dismiss all complaints against issuers and individual defendants affiliated with issuers (including the TiVo defendants) was filed by the entire group of issuer defendants in these similar actions. On October 8, 2002, TiVo s officers were dismissed as defendants in the lawsuit. On February 19, 2003, the court in this action issued its decision on defendants omnibus motion to dismiss. This decision dismissed the Section 10(b) claim as to TiVo but denied the motion to dismiss the Section 11 claim as to TiVo and virtually all of the other issuer-defendants.

On June 26, 2003, the plaintiffs announced a proposed settlement with the Company and the other issuer defendants. The proposed settlement provides that the insurers of all settling issuers will guarantee that the plaintiffs recover $1 billion from non-settling defendants, including the investment banks who acted as underwriters in those offerings. In the event that the plaintiffs do not recover $1 billion, the insurers for the settling issuers will make up the difference. Under the proposed settlement, the maximum amount that could be charged to the Company s insurance policy in the event that the plaintiffs recovered nothing from the investment banks would be approximately $3.9 million. The Company believes that it has sufficient insurance coverage to cover the maximum amount that it may be responsible for under the proposed settlement.

TiVo s board of directors approved the proposed settlement at a meeting held on June 25, 2003. It is possible that the Federal District Court may not approve the settlement in whole or part. In the event that the Court does not approve the final settlement, the Company believes it has meritorious defenses and intends to defend this action vigorously; however, it could be forced to incur material expenses in the litigation, and in the event there is an adverse outcome, its business could be harmed.

On September 25, 2001, Pause Technology LLC filed a complaint against TiVo in the U.S. District Court for the District of Massachusetts alleging willful and deliberate infringement of U.S. Reissue Patent No. 36,801, entitled Time Delayed Digital Video System Using Concurrent Recording and Playback. Pause Technology alleges that it is the owner of this patent, and further alleges that TiVo has willfully and deliberately infringed this patent by making, selling, offering to sell, and using within the United States the TiVo digital video recorder. Pause Technology seeks unspecified monetary damages as well as an injunction against TiVo s operations. It also seeks attorneys fees and costs. On February 6, 2004, TiVo obtained a favorable summary judgment ruling in the case in the District Court. The court ruled that the Company s software versions 2.0 and above do not infringe Pause s patent, and accordingly has ordered that judgment be entered in the Company s favor. On June 16, 2004, Pause Technology filed an appeal to the United States Court of Appeal for the Federal Circuit appealing the February 6, 2004 summary judgment ruling in favor of TiVo. The Company is incurring expenses in connection with this litigation that may become material, and in the event there is an adverse outcome, its business could be harmed.

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On February 5, 2002, Sony Corporation notified TiVo that Command Audio Corporation had filed a complaint against Sony Electronics, Inc. on February 2, 2002 in the U.S. District Court for the Northern District of California. The complaint alleges that, in connection with its sale of digital video recorders and other products, Sony infringes upon two patents owned by Command Audio (U.S. Patent Nos. 5,590,195 ( Information Dissemination Using Various Transmission Modes ) and 6,330,334 ( Method and System for Information Dissemination Using Television Signals ). The complaint seeks injunctive relief, compensatory and treble damages and Command Audio s costs and expenses, including reasonable attorneys fees. On June 15, 2004, the court denied Sony s motion for summary judgment of invalidity and granted in part and denied in part Command Audio s motion for summary judgment of infringement. The court found that certain Sony products literally infringed certain claims of the 334 patent but did not rule on the validity or enforceability of the patents. A trial limited to certain of Sony s allegations that the patents-in-suit are unenforceable is scheduled to commence on October 12, 2004. Under the terms of the Company s agreement with Sony governing the distribution of certain digital video recorders that enable the TiVo service, TiVo is required to indemnify Sony against any and all claims, damages, liabilities, costs and expenses relating to claims that its technology infringes upon intellectual property rights owned by third parties. The Company believes Sony has meritorious defenses against this lawsuit; however, due to its indemnification obligations, the Company is incurring expenses in connection with this litigation. Since February 2002, the Company has incurred $4.8 million in legal expenses. The outcome of this matter or range of potential losses is currently not determinable. If Sony were to lose this lawsuit, the Company s business could be harmed.

On January 5, 2004, TiVo filed a complaint against EchoStar Communications Corporation in the U.S. District Court for the Eastern District of Texas alleging willful and deliberate infringement of U.S. Patent No. 6,233,389, entitled Multimedia Time Warping System. On January 15, 2004, the Company amended its complaint to add EchoStar DBS Corporation, EchoStar Technologies Corporation, and Echosphere Limited Liability Corporation as additional defendants. The Company alleges that it is the owner of this patent, and further alleges that the defendants have willfully and deliberately infringed this patent by making, selling, offering to sell and/or selling digital video recording devices, digital video recording device software, and/or personal television services in the United States. On March 2, 2004, EchoStar filed its answer to the Company s complaint, moved to dismiss for lack of personal jurisdiction, and moved to transfer the case from the Eastern District of Texas to the Northern District of California. The Company has opposed both of Echostar s motions. The Company seeks unspecified monetary damages as well as an injunction against the defendants further infringement of the patent. The Company could incur material expenses in this litigation.

On August 5, 2004, Compression Labs, Inc. filed a complaint against TiVo Inc., Acer American Corporation, AudioVox Corporation, BancTec, Inc., BenQ America Corporation, Color Dreams, Inc. (d/b/a StarDot Technologies), Google Inc., ScanSoft, Inc., Sun Microsystems Inc., Veo Inc., and Yahoo! Inc. in the U.S. District Court for the Eastern District of Texas alleging infringement, inducement of others to infringe, and contributory infringement of U.S. Patent No. 4,698,672, entitled Coding System For Reducing Redundancy. The complaint alleges that Compression Labs, Inc. is the owner of this patent and has the exclusive rights to sue and recover for infringement thereof. The complaint further alleges that the defendants have infringed, induced infringement, and contributorily infringed this patent by selling devices and/or systems in the United States, at least portions of which are designed to be at least partly compliant with the JPEG standard. The Company intends to defend this action vigorously; however, it could be forced to incur material expenses in the litigation and, in the event there is an adverse outcome, the Company s business could be harmed.

The Company is involved in numerous lawsuits in the ordinary course of its business. The Company assesses potential liabilities in connection with these lawsuits under Statement of Financial Accounting Standards No. 5, Accounting for Contingencies. The Company accrues an estimated loss for these loss contingencies if both of the following conditions are met: information available prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. As of July 31, 2004, the Company had not accrued a liability for any of the lawsuits filed against it as the conditions for accrual have not been met.

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**Facilities Leases**

In October 1999, the Company entered into an office lease with WIX/NSJ Real Estate Limited Partnership for its headquarters. The lease began on March 10, 2000 and has a seven-year term. Monthly rent is approximately $250,000 with built-in base rent escalations periodically throughout the lease term. The lease is classified as an operating lease. Rent expense is recognized using the straight-line method over the lease term and for the six months ended July 31, 2004 and 2003 was $1.5 million and $986,000, respectively. Additionally, the Company delivered a letter of credit totaling $476,683, to WIX/NSJ Real Estate Limited Partnership as collateral for performance by the Company of all of its obligations under the lease. The letter of credit is to remain in effect the entire term of the lease.

The Company s corporate headquarters consists of two buildings located in Alviso, California, which are used for administrative, sales and marketing, customer service, and product research and development activities. Operating lease cash payments for the six months ended July 31, 2004 and 2003 were $1.5 million and $1.5 million, respectively.

Additionally, the Company leases office space in Berkshire, United Kingdom under an operating lease that expires in March 2006. The Company abandoned this facility in May 2002 and recorded a restructuring accrual of $367,000.

The following table summarizes the accrued facilities expenses recorded as a result of the Company s unoccupied facility as of July 31, 2004:

| | Accrual balance as of January 31, 2004 | Total cash payments July 31, 2004 | Accrual balance as of July 31, 2004 |
|---|---|---|---|
| | | (In thousands) | |
| Berkshire, United Kingdom facility lease expenses | $ 254 | $ (56) | $ 198 |
| Total | $ 254 | $ (56) | $ 198 |

Of the total accrued facilities expenses recorded as a result of the Company s unoccupied facility $85,000 is included in deferred rent and other long-term liabilities and $113,000 is included in accrued liabilities in the accompanying consolidated balance sheet at July 31, 2004.

Future minimum operating lease payments as of July 31, 2004, were as follows:

| Fiscal Year Ending | Lease Payments |
|---|---|
| | (In thousands) |

| | | |
|---|---|---|
| January 31, 2005 (6 months) | $ | 1,622 |
| January 31, 2006 | | 3,278 |
| January 31, 2007 | | 3,285 |
| January 31, 2008 | | 273 |
| Total | $ | 8,458 |

**7. SUBSEQUENT EVENTS**

On August 9, 2004, the Company acquired a minority interest in TGC, Inc. ( TGC ), a newly formed independent entity. In exchange for the Company s interest in TGC, it granted TGC a license to certain aspects of its technology for use in The People s Republic of China, Singapore, Hong Kong, Macau, and Taiwan. Through TGC, the Company s management expects to gain access to high quality, low-cost engineering resources for the design and development of reduced-cost digital video recorder platforms. Management believes that this investment will enable the Company s internal research and development team to focus on future service-related enhancements and initiatives. The Company does not believe this transaction will have a material effect on its results of operations in fiscal year 2005.

Management expects TGC to engage in design, development, and licensing activities related to reduced-cost digital video recorder platforms and technology. The Company and TGC have agreed to share certain costs and expenses relating to research and development. Management also expects TGC will pursue opportunities to market TiVo technology in The People s Republic of China, Singapore, Hong Kong, Macau, and Taiwan. TGC s technology license from TiVo is exclusive for the first five years and non-exclusive to TGC for a perpetual period afterwards. Subject to certain terms and conditions, this license grants TGC limited access to portions of TiVo s source code and provides for both parties to exchange improvements to that code during the first five years. The Company will be entitled to royalty payments from TGC in limited circumstances. In addition, TGC has agreed not to market, without the prior consent of TiVo, any DVR products or DVR services that do not support the TiVo service outside of The People s Republic of China, Singapore, Hong Kong, Macau, and Taiwan. In the United States, TGC may offer DVR products that support the TiVo service only to TiVo, authorized TiVo licensees or TiVo approved retail distributors.

At closing, TiVo s preferred share investment accounted for approximately 49.4% of TGC s equity (approximately 44.3% on a fully-diluted basis assuming the issuance of options to executives of TGC). The remainder of TGC s shareholders include financial investors (including New Enterprise Associates, a stockholder of TiVo Inc. that has a representative on TiVo s Board of Directors and holds less then 10% of TGC s equity) and certain members of TGC s management team who have contributed cash or services in exchange for equity. Initially, the Company will have two seats on TGC s five-member Board of Directors. Subject to restrictions and under specific circumstances, the Company also has a limited call right to acquire all of TGC after five years or upon a change of control of TiVo at a premium to TGC s fair market value. The Company also has the right to acquire at least a majority of TGC in the event of a TGC initial public offering at the net initial public offering price. TGC is incorporated in the Cayman Islands.

With the approval of the Company s Board of Directors, Ta-Wei Chien, TiVo s former Senior Vice President, General Manager of TiVo Technologies, will serve as TGC s Chief Executive Officer and Chairman of TGC s Board of Directors. Mr. Chien resigned from his current position at TiVo on August 3, 2004.

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

**Business Overview**

We are a leading provider of technology and services for digital video recorders, or DVRs, a rapidly growing consumer electronics category. Our subscription-based TiVo service improves home entertainment by providing consumers with an easy way to record, watch, and control television. The TiVo service also offers the television industry a platform for advertisers, content delivery, and audience research. Key elements of our strategy revolve around continued investment in technology, research and development, and innovation; partnering with service providers; extending and protecting our intellectual property and continuing to promote and leverage the TiVo brand; and working to improve profitability, market share, and financial strength. Our financial strength and ability to adapt to the current market and economic conditions are dependent in part on our generation of cash flow, effective management of working capital, funding commitments, and other obligations as well as the growth of our business.

**Executive Overview and Current Outlook**

During the three and six months ended July 31, 2004, we continued to show strong growth in our subscription base and subscription revenues. Additionally, we continued to increase investment in subscription acquisition activities with a focus on growing TiVo-Owned subscriptions. For example, in August 2004 we announced a $100 rebate offer for TiVo Series2 DVRs purchased between August 11, 2004 and September 30, 2004. We anticipate the majority of this investment during the fiscal year 2005 will be in connection with the 2004 holiday shopping season. We believe this investment can create incremental revenue, profits, and cash flows and put us on a long-term growth trajectory towards creating sustainable profitability.

The following table sets forth selected information for the three and six months ended July 31, 2004 and 2003:

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | (In thousands) | | | |
| Net revenues | $ 39,776 | $ 26,672 | $ 74,299 | $ 55,192 |
| Cost of revenues | (32,264) | (15,487) | (56,669) | (37,468) |
| Operating expenses | (17,958) | (14,352) | (36,796) | (27,601) |
| Loss from operations | $ (10,446) | $ (3,167) | $ (19,166) | $ (9,877) |
| Cash flows from operating activities | | | $ (13,771) | $ (13,021) |

***Net Revenues.*** Our net revenues increased $19.1 million, or 35%, during the six months ended July 31, 2004, compared to the same prior-year period. We have added approximately 288,000 net new TiVo-Owned and DIRECTV with TiVo subscriptions in the last three months.

***Cost of Revenues.*** Our costs of revenues increased by approximately 51% during the six months ended July 31, 2004. The cost of hardware revenues for the six months ended July 31, 2004 increased approximately $16.8 million, or approximately 74%, compared to the same prior-year period.

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***Operating Expenses*.** Our operating expenses increased 33% or $9.2 million during the six months ended July 31, 2004, compared to the same prior-year period. We expect our operating expenses to increase due to our increased spending on subscription acquisition activities.

***Cash Flows from Operating Activities.*** Our cash flows from operating activities for six months ended July 31, 2004, declined slightly compared to the same prior-year period.

We continue to be subject to a number of risks, including delays in development; competitive service offerings; lack of market acceptance and uncertainty of future profitability; the dependence on third parties for manufacturing, marketing, and sales support; the intellectual property claims against us; and our highly dependent relationship with DIRECTV. We conduct our operations through one reportable segment. We anticipate that our business will continue to be seasonal and we expect to generate a significant number of our annual new subscriptions during and immediately after the holiday shopping season. To date we have had substantial negative cash flow. During the six months ended July 31, 2004, we had net losses of $(19.8) million. As of July 31, 2004, we had an accumulated deficit of $(597.1) million.

**Key Business Metrics**

Management periodically reviews certain key business metrics in order to evaluate the effectiveness of our operational strategies, allocate resources, and maximize the financial performance of our business. These key business metrics include subscription growth and cash flows from operating activities.

***Subscription Growth.*** Management believes this metric is a leading indicator of revenue generation in future years. Management uses it to help evaluate the execution and performance of TiVo s and DIRECTV s marketing programs in acquiring new subscriptions and retaining existing subscriptions. We define a subscription as a contract referencing a TiVo-enabled DVR for which (i) a customer has paid for the TiVo service and (ii) service is not canceled. A product lifetime subscription that has reached the end of the four-year period we use to recognize product lifetime subscription revenues and whose DVR has not made contact to the TiVo service within the prior six-month period, is no longer counted as a subscription. DVRs with the TiVo Basic service that have not upgraded to the TiVo service are not included in our subscription totals. As of July 31, 2004, our total installed subscription base was approximately 1,884,000, approximately 26,000 of which are product lifetime subscriptions that had reached the end of the four-year period we use to recognize product lifetime subscription revenues.

Below is a table that details the growth in our subscription base during the past eight quarters. The TiVo-Owned category refers to subscriptions sold directly by TiVo to customers who have TiVo-enabled DVRs and products, including those manufactured by TiVo, Sony, Pioneer, Toshiba, Philips, and others. The DIRECTV category refers to subscriptions sold by DIRECTV to customers who have integrated DIRECTV satellite receivers with TiVo service. Additionally, we provide a breakdown of the percent of TiVo-Owned subscriptions for which consumers pay a recurring fee, as opposed to a one-time product lifetime fee.

DIRECTV reports and pays us monthly fees on a per-household basis. For households with multiple DIRECTV DVRs with TiVo, we count each unique DVR as a subscription. For the month of July 2004, DIRECTV paid us for approximately 942,000 households, which represented approximately 1,097,000 subscriptions. As a result, there were approximately 155,000 DIRECTV DVRs with TiVo service for which we receive no additional payment from DIRECTV.

In July 2004, we recognized approximately $1.34 in average monthly subscription revenue per DIRECTV subscription, excluding advertising and audience research revenues, compared to approximately $2.45 in July 2003. We calculate average monthly subscription revenue per DIRECTV subscription by dividing average monthly revenues from DIRECTV for the period (DIRECTV subscription revenues during the period divided by the number of months in the period) by average DIRECTV subscriptions for the period. Our average DIRECTV subscriptions were approximately 1,062,000 and 315,000 for the months of July 2004 and 2003, respectively. We expect the average monthly subscription revenue per DIRECTV subscription to continue to decline, at a slower rate, as the mix of DIRECTV subscriptions shifts to the growing number of additions of new DIRECTV subscriptions, which involve no acquisition costs, lower recurring expenses, and lower subscription fees to us.

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| | Three Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (Subscriptions in thousands) | Jul 31, 2004 | Apr 30, 2004 | Jan 31, 2004 | Oct 31, 2003 | Jul 31, 2003 | Apr 30, 2003 | Jan 31, 2003 | Oct 31, 2002 |
| **Subscription Net Additions:** | | | | | | | | |
| TiVo-Owned | 63 | 68 | 130 | 59 | 34 | 37 | 75 | 30 |
| DIRECTV | 225 | 196 | 200 | 150 | 56 | 42 | 39 | 16 |
| **Total Subscription Net Additions** | **288** | **264** | **330** | **209** | **90** | **79** | **114** | **46** |
| **Cumulative Subscriptions:** | | | | | | | | |
| TiVo-Owned | 787 | 724 | 656 | 526 | 467 | 433 | 396 | 321 |
| DIRECTV | 1,097 | 872 | 676 | 476 | 326 | 270 | 228 | 189 |
| **Total Cumulative Subscriptions** | **1,884** | **1,596** | **1,332** | **1,002** | **793** | **703** | **624** | **510** |
| **% of TiVo-Owned Cumulative Subscriptions paying recurring fees** | **43%** | **42%** | **40%** | **36%** | **34%** | **34%** | **34%** | **34%** |

***Cash Flows From Operating Activities.*** Management reviews this metric to aid it in evaluating our operating results. We believe this metric is useful to investors primarily as a tool to track changes in our cash flows used in operations and compare to those of other companies. Management expects that net cash used in operating activities for the fiscal year 2005 will increase as compared to the fiscal year 2004 due to increased spending attributable to our previously disclosed increased investment in subscription acquisition activities in an effort to obtain future subscription revenues.

| | Six Months Ended July 3l, | |
|---|---|---|
| | 2004 | 2003 |
| | (In thousands) | |
| Net loss | $ (19,827) | $ (12,269) |
| Net cash used in operating activities | (13,771) | (13,021) |

**Critical Accounting Estimates**

Critical accounting estimates are those that reflect significant judgments and uncertainties, and may potentially result in materially different results under different assumptions and conditions. We base our discussion and analysis on our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles as described in Item 1. Note 1. The preparation of these financial statements requires us to make estimates and judgments that affect our reported amounts of assets, liabilities, revenue, and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates. We base our estimates on historical experience and on other assumptions that we believe to be reasonable under the circumstances. The results of this analysis form the basis for our judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may materially differ from these estimates under different assumptions or conditions. For a detailed discussion on the application of these and other accounting estimates, see Item 1. Note 2. Summary of Significant Accounting Policies in the notes to our consolidated financial statements.

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***Recognition Period for Product Lifetime Subscriptions Revenues***. TiVo offers a product lifetime subscription option for the life of the DVR for a one-time, upfront payment. We recognize subscription revenues from lifetime subscriptions ratably over a four-year period, based on our estimate of the useful life of these DVRs. If the useful life of the recorder were shorter or longer than four-years, we would recognize revenues earlier or later. As of July 31, 2004, approximately 1% of our total installed subscription base was product lifetime subscriptions that had reached the end of the four-year period we use to recognize product lifetime subscription revenues. We continued to incur costs of services for these subscriptions without corresponding revenue. We believe the marginal cost to provide service to these subscriptions is not material. Our product is still relatively new, and as we gather more user information, we might revise this estimated life.

***Engineering Professional Services Project Cost Estimates***. For engineering professional services that are essential to the functionality of the software or involve significant customization or modification, we recognize revenues using the percentage-of-completion method, as described in SOP 81-1 Accounting for Performance of Construction-Type and Certain Production-Type Contracts. We recognize revenue by measuring progress toward completion based on the ratio of costs incurred to total estimated costs of the project, an input method. In general, these contracts are long-term and complex. We believe we are able to make reasonably dependable estimates based on historical experience and various other assumptions that are believed to be reasonable under the circumstances. These estimates include forecasting of costs and schedules, estimating contract revenue related to contract performance, projecting cost to complete, tracking progress of costs incurred to date, and projecting the remaining effort to complete the project. Costs included in engineering professional services are labor, materials, and overhead related to the specific activities that are required for the project. Costs related to general infrastructure or platform development are not included in the engineering professional services project cost estimates. These estimates are assessed continually during the term of the contract and revisions are reflected when the conditions become known. In some cases, we have accepted engineering professional service contracts that were expected to be losses at the time of acceptance in order to gain experience in developing new technology that could be used in future products and services. Provisions for all losses on contracts are recorded when estimates determine that a loss will be incurred on a contract. Using different cost estimates, or different methods of measuring progress to completion, engineering professional services revenues and expenses may produce materially different results. A favorable change in estimates in a period could result in additional revenue and profit, and an unfavorable change in estimates could result in a reduction of revenue and profit or the recording of a loss that would be borne solely by TiVo.

***Consumer Rebate Redemption Rates***. In accordance with Emerging Issues Task Force (EITF) 01-09, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendors Products), we record an estimated potential liability for our consumer rebate program that is based on the percentage of customers that were reimbursed for the rebate for similar programs and adjust estimates to consider actual redemptions. Using different liability estimates may produce materially different results. A favorable change in liability estimates in a period could result in additional profit and an unfavorable change in liability estimates could result in a reduction of profit. The consumer rebates are recognized as rebates, revenue share, and other payments to channel in our consolidated financial statements.

***Valuation of Inventory***. We maintain a finished goods inventory of TiVo-enabled DVRs throughout the year. We value inventory at the lower of cost or net realizable value with cost determined on the first-in, first-out method. We base write-downs to inventories on changes in selling price of a completed unit. Estimates are based upon current facts and circumstances and are determined in aggregate and evaluated on total pool basis. We continually monitor inventory valuation and purchase commitments for potential losses in net realizable value.

***Estimates Used in Complex Agreements***. We have a number of complex transactions and commitments. Many of these transactions involve multiple elements and types of consideration, including cash, debt, equity, and services. For example, our relationship with DIRECTV has historically included subscription revenue share expense, engineering professional services revenue, common stock and warrants issued for services, and various platform subsidies. Many of our arrangements require us to make estimations for the valuation of non-cash expenses, such as warrants issued for services, which must be assigned a value using financial models that require us to estimate certain parameters. We have utilized our best estimate of the value of the various elements in accounting for these transactions. Had alternative assumptions been used, the values obtained may have been materially different.

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**Results of Operations**

***Net revenues.*** Net revenues for the three and six months ended July 31, 2004 and 2003 as a percentage of net revenues were as follows:

| | Three Months Ended July 31, | | | | Six Months Ended July 31, | | | |
|---|---|---|---|---|---|---|---|---|
| **Net revenues** | **2004** | | **2003** | | **2004** | | **2003** | |
| | (In thousands, except percentages) | | | | | | | |
| Service revenues | $ 24,333 | 61% | $ 13,757 | 52% | $ 46,492 | 63% | $ 26,459 | 48% |
| Technology revenues | 3,427 | 9% | 3,649 | 14% | 6,442 | 9% | 7,015 | 13% |
| Hardware revenues | 18,592 | 47% | 8,057 | 30% | 32,929 | 44% | 22,866 | 41% |
| Rebates, revenue share, and other payments to channel | (6,576) | (17)% | 1,209 | 4% | (11,564) | (16)% | (1,148) | (2)% |
| Net revenues | $ 39,776 | | $ 26,672 | | $ 74,299 | | $ 55,192 | |
| Change from same prior-year period | 49% | | (24)% | | 35% | | 15% | |

Of the total service revenues and technology revenues for the three months ended July 31, 2004 and 2003, $1.7 million and $4.1 million, respectively, were generated from related parties. For the six months ended July 31, 2004 and 2003, $6.8 million and $8.4 million, respectively, of total service revenues and technology revenues were generated from related parties.

***Service Revenues.*** Service revenues for the three and six months ended July 31, 2004 increased 77% and 76%, or $10.6 million and $20.0 million, respectively, over the service revenues for the three and six months ended July 31, 2003. These increases were primarily due to the growth in our subscription base. During the three months ended July 31, 2004, we activated approximately 288,000 new subscriptions to the TiVo service bringing the total installed subscription base to approximately 1.9 million as of July 31, 2004, more than double the installed base as of July 31, 2003. Of the 63,000 net new TiVo-Owned subscriptions, during the three months ended July 31, 2004, approximately 60% elected the monthly recurring payment option. Consumer demand for TiVo-enabled DVR and DVD products was driven by broad availability and strong support in the retail channel, a $50 rebate program that began in February 2004, and increased consumer awareness of TiVo. We intend to generate continued TiVo-Owned subscription growth through managing our relationships with leading retailers like Best Buy, Circuit City, and others. Of the 63,000 net new TiVo-Owned subscriptions, during the three months ended July 31, 2004, approximately 60% elected the monthly recurring payment option. Revenues from advertising and research services included in service revenues, while not material during these periods, continue to increase.

***Technology Revenues.*** In the three and six months ended July 31, 2004, we derived 9% and 9% of our net revenues, or $3.4 million and $6.4 million, respectively, from licensing and engineering professional services. Technology revenues for the three months ended July 31, 2004 were approximately 6% lower than the same period last year due to fewer licensing agreements. One related party customer generated $436,000 and $1.7 million of technology revenues, or 1% and 6% of net revenues for the three months ended July 31, 2004 and 2003, respectively. Going forward, in our relationships with manufacturers and distributors, we are shifting focus from upfront licensing and engineering professional services payments to recurring royalty and service payments. We expect future technology revenues to decline from the fiscal year 2004 levels as we complete existing contracts.

***Hardware Revenues***. Hardware revenues, net of allowance for sales returns, for the three and six months ended July 31, 2004, were 47% and 44% of our net revenues, respectively. For the three months ended July 31, 2004 and 2003, one retail customer generated $10.8 million and $2.5 million of hardware revenues, or 27% and 10% of net revenues, respectively. Although volume of units sold increased for the six months ended July 31, 2004 by approximately 83% from the year ago period, the sales price per unit decreased by nearly 42% because we reduced to both retail customers and consumers the sales price per unit.

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***Rebates, revenue share, and other payments to channel.*** We recognize certain marketing-related payments as a reduction of revenues on our statements of operations. Rebates, revenue share, and other payments to channel increased for the three and six months ended July 31, 2004 as compared to the respective prior-year quarter due to higher revenue share and market development funds paid to retailers. Consumer rebate expenses were $2.2 million and $3.8 million, respectively, for the three and six months ended July 31, 2004, as compared to $(3.1) million and $(1.9) million for the three and six months ended July 31, 2003. Fiscal year 2004 expenses reflected the reversal of the rebate accrual for rebate programs that ended on April 30, 2003. We expect our fiscal year 2005 rebates, revenue share, and other payments to channel to be higher due to our increased investment in subscription acquisition activities. For example, in August 2004 we announced a $100 rebate offer for TiVo Series2 DVRs purchased between August 11, 2004 and September 30, 2004.

***Cost of service and technology revenues.***

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | (In thousands, except percentages) | | | |
| Cost of service revenues | $ 6,836 | $ 3,909 | $ 12,429 | $ 8,083 |
| Cost of technology revenues | 2,708 | 3,020 | 4,670 | 6,649 |
| Cost of service and technology revenues | 9,544 | 6,929 | 17,099 | 14,732 |
| Change from same prior-year period | 38% | (9)% | 16% | 13% |
| Percentage of service and technology revenues | 34% | 40% | 32% | 44% |

Costs of service and technology revenues consist primarily of expenses related to providing engineering professional services to our customers, including employee salaries and related costs, as well as prototyping and other material costs. Additional expenses included are telecommunication and network expenses, employee salaries, call center, and other expenses related to providing the TiVo service. Cost of service revenues for the three and six months ended July 31, 2004 increased 75% and 54% or $2.9 million and $4.3 million compared to the same prior-year periods. Total customer care center expenses for the three and six months ended July 31, 2004 increased by 94% and 88%, or $784,000 and $1.5 million, respectively, compared to the same prior-year period due to an increased level of staffing. Additionally, expenses related to the addition of an online community site to provide additional support to TiVo end users nearly doubled from the prior-year period to $504,000, and technology license fees increased by $820,000 for the six months ended July 31, 2004. Cost of technology revenues decreased by approximately 10% and 30% or $312,000 and $2.0 million for the three and six months ended July 31, 2004, as compared to the same prior-year period. This decrease was due to lower provisions for losses on contracts related to providing engineering professional services to customers under agreements for which expenses exceeded the budgeted revenues.

***Cost of hardware revenues.***

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | (In thousands, except percentages) | | | |

| | | | | |
|---|---|---|---|---|
| Cost of hardware revenues | $ 22,720 | $ 8,558 | $ 39,570 | $ 22,736 |
| Change from same prior-year period | 165% | (25)% | 74% | 51% |
| Percentage of hardware revenues | 122% | 106% | 120% | 99% |
| Hardware Gross Margin | $ (4,128) | $ (501) | $ (6,641) | $ 130 |

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Costs of hardware revenues include all product costs associated with the TiVo-enabled DVRs we distribute and sell, including manufacturing-related overhead and personnel, warranty, certain licensing, order fulfillment, and freight costs. We engage a contract manufacturer to build TiVo-enabled DVRs. We have engaged in the manufacturing and the sale of hardware as a means to grow our service revenues and, as a result, do not intend to generate significant gross margins from these hardware sales. Cost of hardware revenues are driven by a variety of factors related to inventory and channel management. Cost of hardware revenues for the three and six months ended July 31, 2004 increased 165% and 74% as compared to the same prior-year periods primarily as a result of increased manufacturing volume and additional charges taken as a result of inventory revaluation using the lower of cost or net realizable value. These increased expenses resulted in hardware gross loss for the three and six months ended July 31, 2004.

***Research and development expenses.***

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | **2004** | **2003** | **2004** | **2003** |
| | **(In thousands, except percentages)** | | | |
| Research and development expenses | $ 8,138 | $ 5,789 | $ 17,137 | $ 11,261 |
| Change from same prior-year period | 41% | 28% | 52% | 18% |
| Percentage of net revenues | 20% | 22% | 23% | 20% |

Our research and development expenses consist primarily of employee salaries, related expenses, and consulting fees. Research and development expenses for the three and six months ended July 31, 2004 increased over the same prior-year periods primarily due to increased salary expenses related to an increase in engineering regular headcount by 55 employees. Additionally, fewer engineers were redeployed from research and development activities to engineering professional services activities which further contributed to this increase.

***Sales and marketing expenses.***

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | **2004** | **2003** | **2004** | **2003** |
| | **(In thousands, except percentages)** | | | |
| Sales and marketing expenses | $ 6,026 | $ 4,502 | $ 11,626 | $ 8,501 |
| Change from same prior-year period | 34% | (50)% | 37% | (79)% |
| Percentage of net revenues | 15% | 17% | 16% | 15% |

Sales and marketing expenses consist primarily of employee salaries and related expenses, media advertising, public relations activities, special promotions, trade shows, and the production of product related items, including collateral and videos. Sales and marketing expenses also include expenses that consist of cash and non-cash charges related primarily to agreements with related parties.

The largest contributor to the increase of sales and marketing expenses for the three and six months ended July 31, 2004, in terms of absolute dollars, was advertising expense of $747,000 and $1.5 million, respectively, an increase of approximately 171% and 831%, respectively, compared to the prior-year periods. Another contributor to the three and six month increase was public relations and events expense that increased by $612,000 and $565,000, an increase of approximately 1,477% and 99%, respectively. We expect our sales and marketing expenses for the fiscal year ending January 31, 2005 to be higher than for the fiscal year ended January 31, 2004 due to increased subscription acquisition activities.

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***General and administrative expenses.***

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | (In thousands, except percentages) | | | |
| General and administrative expenses | $ 3,794 | $ 4,061 | $ 8,033 | $ 7,839 |
| Change from same prior-year period | (7)% | 13% | 2% | 7% |
| Percentage of net revenues | 10% | 15% | 11% | 14% |

General and administrative expenses consist primarily of employee salaries and related expenses for executive, administrative, accounting, information systems, customer operations personnel, facility costs, and professional fees. General and administrative expenses for the three months ended July 31, 2004 decreased compared to the same prior-year period primarily due to decreased legal expenses of $632,000 for legal consulting of general corporate matters. However, salaries and wages for the six months ended July 31, 2004 increased 15%, or $506,000 compared to the same prior-year period primarily due to an increase in accounting and information system regular headcount of 6 employees.

***Interest income.*** Interest income resulting from cash and cash equivalents held in interest bearing accounts for the six months ended July 31, 2004 tripled levels from the same prior-year period. The increase was a result of significantly higher levels of cash and cash equivalents, approximately $67.2 million, for the six months ended July 31, 2004, compared to the same prior-year period.

***Interest expense and other.*** Interest expense and other consists of cash and non-cash charges related to interest expense paid to related parties and non-related parties. Interest expense and other for the three and six months ended July 31, 2004 decreased 33% and 35% from the same prior-year periods, respectively, primarily due to fewer convertible notes payable that were due interest payments. Non-cash interest expense for the three and six months ended July 31, 2004 was $475,000 and $940,000, respectively, attributable to the amortization of the discount pertaining to the value of the beneficial conversion feature of the convertible notes payable, the amortization of the issuance of warrants to noteholders, and the amortization of debt issuance costs related to the conversion of other convertible notes payable. During the three and six months ended July 31, 2003, non-cash interest expense was $947,000 and $1.9 million attributable to the amortization of the discount pertaining to the value of the beneficial conversion feature of the convertible notes payable, the amortization of the issuance of warrants to noteholders, and the amortization of debt issuance costs for the convertible notes payable.

Cash interest expense for the three and six months ended July 31, 2004 and 2003 was primarily comprised of $183,000, $189,000, $366,000, and $372,000, respectively, for coupon interest expense on the convertible notes payable. Cash interest expense related parties for the three and six months ended July 31, 2003 consisted of $175,000 and $350,000, respectively, for coupon interest expense on the convertible notes payable.

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | (In thousands, except percentages) | | | |

| | | | | |
|---|---|---|---|---|
| Total cash interest expense | $ 193 | $ 364 | $ 387 | $ 722 |
| Total non-cash interest expense | 475 | 947 | 940 | 1,863 |
| Total interest expense | 668 | 1,311 | 1,327 | 2,585 |
| Total other expenses | | | (3) | |
| **Total interest expense and other** | **$ 668** | **$ 1,311** | **$ 1,324** | **$ 2,585** |
| **Change from same prior-year period** | **(49)%** | **(33)%** | **(49)%** | **(35)%** |

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***Provision for income taxes.*** Income tax expense for the three and six months ended July 31, 2004 and 2003 was primarily due to franchise taxes paid to various states and foreign withholding taxes.

**Quarterly Results of Operations**

The following table represents certain unaudited statement of operations data for our eight most recent quarters ended July 31, 2004. In management s opinion, this unaudited information has been prepared on the same basis as the audited annual financial statements and includes all adjustments, consisting only of normal recurring adjustments necessary for a fair representation of the unaudited information for the quarters presented. This information should be read in conjunction with our audited consolidated financial statements and the notes thereto, which are included elsewhere in this Quarterly Report. The results of operations for any quarter are not necessarily indicative of results that may be expected for any future period. Prior quarters have been reclassified in order to conform to current quarter classifications.

| | Three Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Jul 31, 2004 | Apr 30, 2004 | Jan 31, 2004 | Oct 31, 2003 | Jul 31, 2003 | Apr 30, 2003 | Jan 31, 2003 | Oct 31, 2002 |
| | (unaudited, in thousands except per share data) | | | | | | | |
| **Revenues** | | | | | | | | |
| Service revenues | $ 24,333 | $ 22,159 | $ 19,083 | $ 16,018 | $ 13,757 | $ 12,702 | $ 11,350 | $ 10,185 |
| Technology revenues | 3,427 | 3,015 | 2,126 | 6,656 | 3,649 | 3,366 | 2,365 | 2,556 |
| Hardware revenues | 18,592 | 14,337 | 25,537 | 24,479 | 8,057 | 14,809 | 14,511 | 16,220 |
| Rebates, revenue share, and other payments to channel | (6,576) | (4,988) | (4,114) | (3,897) | 1,209 | (2,357) | (5,212) | (3,968) |
| Net revenues | 39,776 | 34,523 | 42,632 | 43,256 | 26,672 | 28,520 | 23,014 | 24,993 |
| **Costs of Revenues** | | | | | | | | |
| Cost of service revenues | 6,836 | 5,593 | 5,252 | 4,370 | 3,909 | 4,174 | 4,719 | 3,852 |
| Cost of technology revenues | 2,708 | 1,962 | 2,496 | 4,464 | 3,020 | 3,629 | 2,110 | 1,442 |
| Cost of hardware revenues | 22,720 | 16,850 | 26,687 | 25,413 | 8,558 | 14,178 | 14,048 | 15,588 |
| Total costs of revenues | 32,264 | 24,405 | 34,435 | 34,247 | 15,487 | 21,981 | 20,877 | 20,882 |
| Gross margin | 7,512 | 10,118 | 8,197 | 9,009 | 11,185 | 6,539 | 2,137 | 4,111 |
| **Operating Expenses** | | | | | | | | |
| Research and development | 8,138 | 8,999 | 5,474 | 5,432 | 5,789 | 5,472 | 6,319 | 4,875 |
| Sales and marketing | 6,026 | 5,600 | 4,742 | 5,704 | 4,502 | 3,999 | 3,965 | 4,333 |
| General and administrative | 3,794 | 4,239 | 4,508 | 3,949 | 4,061 | 3,778 | 3,365 | 3,752 |
| **Loss from operations** | (10,446) | (8,720) | (6,527) | (6,076) | (3,167) | (6,710) | (11,512) | (8,849) |
| Interest income | 366 | 327 | 135 | 133 | 116 | 114 | 149 | 89 |
| Interest expense and other | (668) | (656) | (5,672) | (1,330) | (1,311) | (1,274) | (21,003) | (2,609) |
| **Loss before income taxes** | (10,748) | (9,049) | (12,064) | (7,273) | (4,362) | (7,870) | (32,366) | (11,369) |
| Provision for income taxes | (12) | (18) | (297) | (115) | (25) | (12) | (164) | (150) |
| **Net loss** | $ (10,760) | $ (9,067) | $ (12,361) | $ (7,388) | $ (4,387) | $ (7,882) | $ (32,530) | $ (11,519) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Net loss per share** | | | | | | | | |
| Basic and diluted | $ (0.13) | $ (0.11) | $ (0.18) | $ (0.11) | $ (0.07) | $ (0.12) | $ (0.56) | $ (0.23) |
| Weighted average shares used to calculate basic and diluted net loss per share | 80,197 | 79,800 | 69,055 | 68,226 | 65,834 | 64,021 | 58,496 | 51,041 |

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**Liquidity and Capital Resources**

We have financed our operations and met our capital expenditure requirements primarily from the proceeds of the sale of equity and debt securities. Our cash resources are subject, in part, to the amount and timing of cash received from subscriptions, licensing and engineering professional services customers, and hardware customers. At July 31, 2004, we had approximately $130.0 million of cash and cash equivalents. For the fiscal year ending January 31, 2005, we have significantly increased our investment in subscription acquisition activities with a focus on growing TiVo-Owned subscriptions. For example, in August 2004 we announced a $100 rebate offer on TiVo Series2 DVRs purchased between August 11, 2004 and September 30, 2004. We believe our cash and cash equivalents, funds generated from operations, and our revolving line of credit facility with Silicon Valley Bank represent sufficient resources to fund operations, capital expenditures, and working capital needs through the fiscal year ending January 31, 2005.

***Statement of Cash Flows Discussion***

Our primary sources of liquidity are cash flows provided by operations, by financing activities, and our revolving line of credit facility with Silicon Valley Bank. Although we currently anticipate these sources of liquidity will be sufficient to meet our cash needs through the fiscal year ending January 31, 2005, we may require or choose to obtain additional financing. Our ability to obtain financing will depend, among other things, on our development efforts, business plans, operating performance, and the condition of the capital markets at the time we seek financing. We cannot assure you that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of our common stock, and our stockholders may experience dilution. Please refer to Factors That May Affect Future Operating Results below for further discussion.

The following table summarizes our cash flow activities:

| | Six Months Ended July 31, 2004 | Six Months Ended July 31, 2003 |
|---|---|---|
| | (In thousands) | |
| Net cash used in operating activities | $ (13,771) | $ (13,021) |
| Net cash used in investing activities | (1,792) | (785) |
| Net cash provided by financing activities | 2,321 | 32,420 |

***Net Cash Used in Operating Activities***

Net cash used in operating activities during the six months ended July 31, 2004 increased 6% or $750,000 as compared to the same prior-year period. This increase was primarily attributable to an increase in inventories of approximately $13.9 million during the six months ended July 31, 2004 as compared to the same prior-year period. Another contributor to the increase in net cash used in operating activities was the increase in net loss of approximately $7.6 million. The primary change in net loss was an increase in costs of hardware revenues of $14.2 million. The increase in net cash used in operations was partially offset by a decrease in payments for accounts payable and accrued liabilities of approximately $7.8 million during the six months ended July 31, 2004 as compared to the same prior-year period and an increase in revenues from subscriptions.

***Net Cash Used in Investing Activities***

The increases in net cash used in investing activities for both the six months ended July 31, 2004 and 2003 were primarily attributable to increased purchases of property and equipment to support our business. During the six months ended July 31, 2004, we disposed of one asset valued at $191,000.

***Net Cash Provided by Financing Activities***

For the six months ended July 31, 2004, the principal source of cash generated from financing activities relates to the issuance of common stock through our employee stock purchase plan. These transactions generated $1.2 million and $820,000, respectively, for the six months ended July 31, 2004 and 2003. Additionally, $1.1 million and $5.5 million were obtained from the issuance of common stock for stock options exercised for the six months ended July 31, 2004 and 2003, respectively. During the six months ended July 31, 2003, we obtained $26.6 million in cash, less cash financing expense of $500,000, from the issuance of common stock.

**Financing Agreements**

***January 2004 Common Stock Offering***. On January 30, 2004, we issued 8,000,000 shares of our common stock, par value $.001 per share, at $9.30 per share to institutional investors managed by a large investment management firm headquartered in Boston. The issuance of the shares was registered pursuant to our $100 million universal shelf registration statement on Form S-3 (File No. 333-106731). Our net proceeds from this sale were approximately $74.1 million after deducting our estimated offering expenses. We intend to use the net proceeds for general corporate purposes, primarily to fund sales, marketing and subscription acquisitions, and secondarily to fund research and development, capital expenditures and working capital. Pending the application of the net proceeds, we have invested the proceeds in investment-grade, interest-bearing securities.

***$100 Million Universal Shelf Registration Statement.*** We have an effective universal shelf registration statement on Form S-3 (No. 333-113719) on file with the Securities and Exchange Commission under which we may issue up to $100,000,000 of securities, including debt securities, common stock, preferred stock, and warrants. Depending upon market conditions, we may issue securities under these or future registration statements.

***7% Convertible Senior Notes Due 2006.*** On August 28, 2001, we closed a private placement of $51.8 million in face value of convertible notes payable and received cash proceeds of approximately $43.7 million from investors. In addition, we received non-cash consideration of $8.1 million in the form of advertising and promotional services from Discovery Communications, Inc. and the National Broadcasting Company, Inc., who were existing stockholders. Debt issuance costs were approximately $3.6 million, resulting in net cash proceeds of approximately $40.1 million. Of the total proceeds of $51.8 million, $8.1 million was recorded as prepaid advertising and promotional services. As part of the transaction, we paid $5.0 million in October 2001 to NBC for advertising that ran during the period that began October 1, 2001 and ended March 31, 2002. The current conversion price of the convertible notes payable is $3.99.

***Loan and Security Agreement.*** On June 29, 2004, we renewed our loan and security agreement with Silicon Valley Bank for an additional two years, whereby Silicon Valley Bank agreed to increase the amount of the revolving line of credit it extends to us from a maximum of $6 million to $15 million. The first amendment to the Silicon Valley Bank loan and security agreement also replaces the borrowing base requirement with a requirement that we maintain a certain pre-determined Tangible Net Worth (as defined in the first amendment). The line of credit remains secured by a first priority security interest on all of our assets except for our intellectual property. The line of credit now bears interest at the greater of prime or 4.00% per annum, but in an event of default that is continuing, the interest rate becomes 3.00% above the rate effective immediately before the event of default. The first amendment also allows us to enter into foreign exchange forward contracts in which we may commit to purchase from or sell to Silicon Valley Bank a set amount of foreign currency. The loan and security agreement includes, among other terms and conditions, limitations on our ability to dispose of our assets; merge or consolidate with or into another person or entity; create, incur, assume or be liable for indebtedness (other than certain types of permitted indebtedness, including existing and subordinated debt and debt to trade creditors incurred in the ordinary course of business); create, incur or allow any lien on any of our property or assign any right to receive income except for certain permitted liens; make investments; pay dividends; or make distributions; and contains a requirement that we maintain certain financial ratios. At July 31, 2004, we were in compliance with these covenants and had zero amounts outstanding under the line of credit. The line of credit terminates and any and all borrowings are due on June 29, 2006, but may be terminated earlier by us without penalty upon written notice and prompt repayment of all amounts borrowed.

**Contractual Obligations**

As of July 31, 2004, we had contractual obligations to make the following cash payments:

| | Payments by Period | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations** | **Total** | **Less than 1 year** | **1-3 years** | **3-5 years** | **Over 5 years** |
| | | | (In thousands) | | |
| Operating leases | $ 8,458 | $ 2,469 | $ 5,989 | $ | $ |
| Purchase obligations | 26,254 | 26,254 | | | |
| Long-term debt [a] | 10,450 | | 10,450 | | |
| Coupon interest on long-term convertible notes payable | 1,884 | 732 | 1,152 | | |
| **Total contractual cash obligations** | **$ 47,046** | **$ 29,455** | **$ 17,591** | **$** | **$** |

[a] Included in long-term debt are amounts owed on our convertible notes payable at face value and our revolving line of credit at July 31, 2004. The table assumes our long-term debt is held to maturity though our convertible notes payable are callable at the Company s option as of August 28, 2004. There were zero amounts outstanding under the line of credit at July 31, 2004.

Other commercial commitments as of July 31, 2004, were as follows:

| | **Total** | **Less than 1 year** | **1-3 years** | **3-5 years** | **Over 5 years** |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Standby letter of credit | $ 477 | $ | $ 477 | $ | $ |
| **Total commercial commitments** | **$ 477** | **$** | **$ 477** | **$** | **$** |

**Off-Balance Sheet Arrangements**

We had no off-balance sheet arrangements at July 31, 2004.

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**Factors That May Affect Future Operating Results**

*The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business.*

**We have incurred significant net losses and may never achieve profitability.**

We have incurred significant net losses and have had substantial negative cash flows. During the six months ended July 31, 2004 and 2003, our net loss was $(19.8) million and $(12.3) million, respectively. As of July 31, 2004, we had an accumulated deficit of $(597.1) million. We expect to incur significant operating expenses over the next several years in connection with the continued development and expansion of our business. As a result, we expect to continue to incur net losses for the foreseeable future. The size of these net losses depends in part on our subscription revenues and on our expenses. We will need to generate significant additional revenues to achieve profitability. Consequently, we may never achieve profitability, and even if we do, we may not sustain or increase profitability on a quarterly or annual basis in the future.

**We face intense competition from a number of sources, which may impair our revenues, increase our subscription acquisition cost, and hinder our ability to generate new subscriptions.**

The DVR market is rapidly evolving and we expect to face significant competition. Moreover, the market for in-home entertainment is intensely competitive and subject to rapid technological change. As a result of this intense competition, we could incur increased subscription acquisition cost that could adversely affect our ability to reach sustained profitability in the future. If new technologies render the DVR market obsolete, we may be unable to generate sufficient revenue to cover our expenses and obligations.

We believe that the principal competitive factors in the DVR market are brand recognition and awareness, functionality, ease of use, availability, and pricing. We currently see two primary categories of DVR competitors: DVRs offered by consumer electronics companies, and DVRs offered by cable and satellite operators.

Within each of these two categories, the competition can be further segmented into those offering what we define as basic DVR functionality, and those offering enhanced DVR functionality. Basic DVR functionality includes no or limited program guide data and VCR-like controls with manual timeslot-based recordings, usually with no DVR service fee after the consumer purchases the enabling hardware. The TiVo Basic service is an example of basic DVR functionality. Enhanced DVR functionality includes rich program guide data and enhanced scheduling and personalization features, and may or may not require a DVR service fee. The TiVo service is an example of enhanced DVR functionality.

*Consumer Electronics Competitors*. We compete against several types of products with basic or enhanced DVR functionality offered by consumer electronics companies. These products record an analog television signal output from a cable or satellite set-top box, analog cable feed, or antenna.

*DVRs*: ReplayTV has been our primary competitor in the standalone DVR market, offering products with some enhanced DVR functionality. ReplayTV was acquired by D&M Holdings in 2003. D&M Holdings is the parent company of Denon and Marantz, manufacturers of premium audio and video consumer electronics products. In addition, a number of companies have introduced or announced plans for DVRs that can record HD content, including RCA and Lucky Goldstar.

*DVD devices with integrated DVRs*: Several consumer electronics companies, including Thomson Multimedia and Panasonic, are producing DVRs integrated with DVD players or DVD recorders. In general, these products do not require DVR service fees and offer basic DVR functionality.

*Personal computers with DVR software*: Several companies are developing DVR software for PC and PC-related platforms. For example, Microsoft s Windows XP Media Center Edition contains expanded digital media features including some enhanced DVR functionality.

*Satellite and Cable DVR Competitors*. The DIRECTV satellite receiver with TiVo service competes against other cable and satellite set-top boxes that integrate basic or enhanced DVR functionality into multi-channel receivers.

*Satellite*: EchoStar released the DishPVR 501 in 2001, which combined EchoStar Dish Network satellite reception with basic DVR functionality, including repeating timer-based recordings. In July 2002, EchoStar released the DishPVR 721, which offers a limited DVR feature set. EchoStar has also released the DishPVR 921 system for High Definition signals. Additionally, NDS, a company owned by News Corp., a significant stockholder of DIRECTV, has announced that it intends to compete with us to provide additional DVR technology to DIRECTV customers.

*Cable:* Scientific-Atlanta sells Explorer 8000 integrated digital cable DVR set-top box to cable operators. This product combines digital and analog cable reception with dual-tuner DVR functionality. Motorola has announced its own plans for integrated cable DVRs. In addition, Motorola has announced plans to build integrated cable DVRs for cable operator Charter Communications using Moxi Media Center software from Digeo. Other DVR technology providers targeting the integrated DVR space include set-top box manufacturers Pioneer and Pace, and software providers NDS and Canal+ Technologies.

*Video on Demand*: U.S. cable operators are currently deploying server-based Video on Demand (VOD) technology from SeaChange, Concurrent, nCube, and others, which could potentially evolve into competition. Server-based VOD relies on content servers located within the cable operator s central head-end that stream video across the network to a digital cable set-top box within the consumer s home. Cable operators can use VOD to deliver movies, television shows, and other content to consumers. Consumers can watch this programming on demand, with VCR-like pausing and rewinding capabilities. Operators can charge consumers for access to VOD content on a per-transaction or monthly subscription basis, or can offer content without charge. To the extent that cable operators begin to offer regular television programming as part of their VOD offerings, consumers will have an alternate means of watching time-shifted shows to using DVRs.

*Licensing Fees.* Our licensing revenues depend both upon our ability to successfully negotiate licensing agreements with our consumer electronics and service provider customers and, in turn, upon our customers successful commercialization of their underlying products. In addition, we face competition from companies such as Microsoft, OpenTV, NDS, D&M Holdings, Digeo, Ucentric, and Gotuit who have created competing digital video recording technologies. Such companies may offer more economically attractive licensing agreements to service providers and manufacturers of DVRs.

*Established competition for advertising budgets*. Digital video recorder services, in general, and TiVo, specifically, also compete with traditional advertising media such as print, radio, and television for a share of advertisers total advertising budgets. If advertisers do not perceive digital video recording services, in general, and TiVo specifically, as an effective advertising medium, they may be reluctant to devote a significant portion of their advertising budget to promotions on the TiVo service. In addition, advertisers may not support or embrace the TiVo technology due to a belief that our technology s ability to fast-forward through commercials will reduce the effectiveness of general television advertising.

**We depend on a limited number of third parties to manufacture, distribute, and supply critical components and services for the DVRs that enable the TiVo service. We may be unable to operate our business if these parties do not perform their obligations.**

The TiVo service is enabled through the use of a DVR made available by us through a third-party contract manufacturer and a limited number of other third parties. In addition, we rely on sole suppliers for a number of key

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components for the DVRs. We do not control the time and resources that these third parties devote to our business. We cannot be sure that these parties will perform their obligations as expected or that any revenue, cost savings, or other benefits will be derived from the efforts of these parties. If any of these parties breaches or terminates its agreement with us or otherwise fails to perform their obligations in a timely manner, we may be delayed or prevented from commercializing our products and services. Because our relationships with these parties are non-exclusive, they may also support products and services that compete directly with us, or offer similar or greater support to our competitors. Any of these events could require us to undertake unforeseen additional responsibilities or devote additional resources to commercialize our products and services. This outcome would harm our ability to compete effectively and achieve increased market acceptance and brand recognition.

In addition, we face the following risks in relying on these third parties:

*If our manufacturing relationships are not successful, we may be unable to satisfy demand for our products and services.* We manufacture DVRs that enable the TiVo service through a third-party contract manufacturer. We also have entered and anticipate entering into agreements with consumer electronics manufacturers to manufacture and distribute DVRs that enable the TiVo service. However, we have no minimum volume commitments from any manufacturer. The ability of our consumer electronics manufacturers to reach sufficient production volume of DVRs to satisfy anticipated demand is subject to delays and unforeseen problems such as defects, shortages of critical components and cost overruns. Moreover, they will require substantial lead times to manufacture anticipated quantities of the DVRs that enable the TiVo service. Delays, product shortages, and other problems could impair the retail distribution and brand image and make it difficult for us to attract subscriptions. In addition, the loss of a manufacturer would require us to identify and contract with alternative sources of manufacturing, which we may be unable to do and which could prove time-consuming and expensive. Although we expect to continue to contract with additional consumer electronics companies for the manufacture of DVRs in the future, we may be unable to establish additional relationships on acceptable terms.

*We are dependent on single suppliers for several key components and services. If these suppliers fail to perform their obligations, we may be unable to find alternative suppliers or deliver our products and services to our customers on time*. We currently rely on sole suppliers for a number of the key components used in the TiVo-enabled DVRs and the TiVo service. For example:

- NEC is the sole supplier of the CPU and application specific integrated circuit semiconductor devices;
- Broadcom is the sole supplier of the MPEG2 encoder and decoder semiconductor devices;
- Amtek is the sole supplier of the chassis; and
- ATMEL is the sole supplier of the secure microcontroller semiconductor device.

Because we do not require customized components from NEC, Broadcom, Amtek, or ATMEL suppliers, we do not have binding supply agreements with these suppliers. Therefore, they are not contractually obligated to supply us with these key components on a long-term basis or at all. In addition to the above, we have several sole suppliers for key components of our products currently under development.

*Tribune is the sole supplier of the program guide data for the TiVo service*. Tribune Media Services, Inc. is the current sole supplier of program guide data for the TiVo service. Our current Television Listings Data Agreement with Tribune became effective on March 1, 2004 and has an initial term of three years and will automatically renew for up to two additional terms of one year each unless we notify Tribune of our desire to terminate the agreement at least 90 days before the end of the then-current term.

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If our arrangements or our consumer electronics manufacturers arrangements with NEC, Broadcom, Amtek, ATMEL or Tribune Media Services were to terminate or expire, or if we or our manufacturers were unable to obtain sufficient quantities of these components or required program guide data from our suppliers, our search for alternate suppliers could result in significant delays, added expense or disruption in product or service availability.

**Intellectual property claims against us could be costly and could result in the loss of significant rights.**

From time to time, we receive letters form third parties alleging that we are infringing their intellectual property. Regardless of their merit, we are forced to devote time and resources to respond to these letters. In addition, if any of these third parties or others were to sue us, our business could be harmed because intellectual property litigation may:

- be time-consuming and expensive;
- divert management s attention and resources away from our business;
- cause delays in product delivery and new service introduction;
- cause the cancellation of new products or services; or
- require us to pay significant royalties and/or licensing fees.

*The emerging enhanced-television industry is highly litigious, particularly in the area of on-screen program guides.* Additionally, many patents covering interactive television technologies have been granted but have not been commercialized. For example, we are aware of multiple patents for pausing live television. A number of companies in the enhanced-television industry earn substantial profits from technology licensing, and the introduction of new technologies such as ours is likely to provoke lawsuits from such companies. A successful claim of infringement against us, our inability to obtain an acceptable license from the holder of the patent or other right, or our inability to design around an asserted patent or other right could cause our manufacturers to cease manufacturing DVRs that enable the TiVo service, our retailers to stop selling the product or us to cease providing our service, or all of the above, which would eliminate our ability to generate revenues.

*Under our agreements with many of our manufacturing and licensing partners, we are obligated to indemnify them in the event that our technology infringes upon the intellectual property rights of third parties.* Due to these indemnity obligations, we could be forced to incur material expenses if our manufacturing and licensing partners are sued. If they were to lose the lawsuit, our business could be harmed. In addition, because the products sold by our manufacturing and licensing partners often involve the use of other persons technology, this increases our exposure to litigation in circumstances where there is a claim of infringement asserted against the product in question, even if the claim does not pertain to our technology.

*Pending intellectual property litigations.* On September 25, 2001, Pause Technology LLC filed a complaint against us in the U.S. District Court for the District of Massachusetts alleging willful and deliberate infringement of U.S. Reissue Patent No. 36,801, entitled Time Delayed Digital Video System Using Concurrent Recording and Playback. Pause Technology alleges that it is the owner of this patent, and further alleges that we have willfully and deliberately infringed this patent by making, selling, offering to sell, and using within the United States the TiVo-enabled DVR. Pause Technology seeks unspecified monetary damages as well as an injunction against our operations. It also seeks attorneys fees and costs. On February 6, 2004, we obtained a favorable summary judgment ruling in the case in the District Court. The court ruled that our software versions 2.0 and above do not infringe Pause s patent, and accordingly has ordered that judgment be entered in our favor. On June 16, 2004, Pause Technology filed an appeal to the United States Court of Appeal for the Federal Circuit appealing the February 6, 2004 summary judgment ruling in favor of TiVo. We are incurring expenses in connection with this litigation, which may become material, and in the event there is an adverse outcome, our business could be harmed.

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On February 5, 2002, Sony Corporation notified us that Command Audio Corporation had filed a complaint against Sony Electronics, Inc. on February 2, 2002 in the U.S. District Court for the Northern District of California. The complaint alleges that, in connection with its sale of digital video recorders and other products, Sony infringes upon two patents owned by Command Audio U.S. Patent Nos. 5,590,195 ( Information Dissemination Using Various Transmission Modes ) and 6,330,334 ( Method and System for Information Dissemination Using Television Signals ). The complaint seeks injunctive relief, compensatory and treble damages and Command Audio s costs and expenses, including reasonable attorneys fees. On June 15, 2004, the court denied Sony s motion for summary judgment of invalidity and granted in part and denied in part Command Audio s motion for summary judgment of infringement. The court found that certain Sony products literally infringed certain claims of the 334 patent but did not rule on the validity or unenforceability of the patents. A trial limited to certain of Sony s allegations that the patents-in-suit are unenforceable is scheduled to commence on October 12, 2004. Under the terms of our agreement with Sony governing the distribution of certain DVRs that enable the TiVo service, we are required to indemnify Sony against any and all claims, damages, liabilities, costs, and expenses relating to claims that our technology infringes upon intellectual property rights owned by third parties. We believe Sony has meritorious defenses against this lawsuit; however, due to our indemnification obligations, we are incurring material expenses in connection with this litigation. Since February 2002, we have incurred $4.8 million in legal expenses. The outcome of this matter or range of potential losses is currently not determinable. If Sony were to lose this lawsuit, our business could be harmed.

On August 5, 2004, Compression Labs, Inc. filed a complaint against TiVo, Acer American Corporation, AudioVox Corporation, BancTec, Inc., BenQ America Corporation, Color Dreams, Inc. (d/b/a StarDot Technologies), Google Inc., ScanSoft, Inc., Sun Microsystems Inc., Veo Inc., and Yahoo! Inc. in the U.S. District Court for the Eastern District of Texas alleging infringement, inducement of others to infringe, and contributory infringement of U.S. Patent No. 4,698,672, entitled Coding System For Reducing Redundancy. The complaint alleges that Compression Labs, Inc. is the owner of this patent and has the exclusive rights to sue and recover for infringement thereof. The complaint further alleges that the defendants have infringed, induced infringement, and contributorily infringed this patent by selling devices and/or systems in the United States, at least portions of which are designed to be at least partly compliant with the JPEG standard. We intend to defend this action vigorously; however, we could be forced to incur material expenses in the litigation and, in the event there is an adverse outcome, our business could be harmed.

In addition, we are aware that some media companies may attempt to form organizations to develop standards and practices in the digital video recorder industry. These organizations or individual media companies may attempt to require companies in the digital video recorder industry to obtain copyright or other licenses. Lawsuits or other actions taken by these types of organizations or companies could make it more difficult for us to introduce new services, delay widespread consumer acceptance of our products and services, restrict our use of some television content, increase our costs, and adversely affect our business.

**We are highly dependent on our relationship with DIRECTV for subscription growth.**

*Our relationship with DIRECTV could be affected in the future by News Corp. s acquisition of The DIRECTV Group.* On December 22, 2003, News Corp. acquired General Motors 19.8% economic interest in Hughes, subsequently renamed The DIRECTV Group. Simultaneously, News Corp. acquired an additional 14.2% of The DIRECTV Group for a total of 34% of its outstanding stock. It is possible that DIRECTV under News Corp. could seek to transition to an alternative DVR technology platform, such as that created by NDS, which is majority owned by News Corp. It is also possible News Corp. may slow the pace of DVR deployment by DIRECTV in an effort to protect its content businesses from perceived threats posed by DVRs. NDS has indicated it has plans to deploy a competing DIRECTV DVR service during the first quarter of calendar year 2005.

*If our current agreement with DIRECTV expires without being renewed, amended, or replaced, our business could be harmed.* A significant number of our new and existing TiVo service subscriptions are DIRECTV customers with TiVo. Our current agreement with DIRECTV does not expire until February 2007. Neither TiVo nor DIRECTV will have any further

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obligations to each other if our current agreement with DIRECTV expires without being renewed, amended, or replaced. While DIRECTV would have the right to continue to service existing DIRECTV receivers with TiVo without payment to us, it would not have the right to add new DIRECTV customers with TiVo. And while TiVo would no longer be able to generate additional revenue from the then-current DIRECTV customers with TiVo, we would have no further obligation to provide upgrades, fixes, new features, or software support. DIRECTV, however, also has the option under our current agreement to buy a royalty-bearing software and technology license from us. This license would grant DIRECTV access to our source code and technology to make, modify (with certain exceptions), sell, and distribute DIRECTV receivers with TiVo to add new subscribers after the expiration of our current agreement.

**Our limited operating history may make it difficult for us or investors to evaluate trends and other factors that affect our business.**

We were incorporated in August 1997, and we have been providing subscription services only since March 31, 1999. Prior to that time, our operations consisted primarily of research and development efforts. To date, only a limited number of DVRs have been sold, and we have obtained only a limited number of subscriptions to the TiVo service.

As a result of our limited operating history, our historical financial and operating information is of limited value in evaluating our future operating results. It may be difficult to predict accurately our future revenues, costs of revenues, expenses, or results of operations. In addition, any evaluation of our business must be made in light of the risks and difficulties encountered by companies offering products or services in new and rapidly evolving markets. DVR services are a relatively new product category for consumers, and it may be difficult to predict the future growth rate, if any, or size of the market for our products and services. We may be unable to accurately forecast customer behavior and recognize or respond to emerging trends, changing preferences or competitive factors facing us. As a result, we may be unable to make accurate financial forecasts and adjust our spending in a timely manner to compensate for any unexpected revenue shortfall. Such inability could cause our net losses in a given quarter to be greater than expected, which could cause the price of our stock to decline.

**We face a number of challenges in the sale and marketing of the TiVo service and products that enable the TiVo service.**

Our success depends upon the successful retail marketing of the TiVo service and related DVRs, which began in the third quarter of calendar year 1999.

*Many consumers are not aware of the benefits of our products.* DVR products and services represent a relatively new consumer electronics category. Retailers, consumers, and potential partners may perceive little or no benefit from digital video recorder products and services. We have only been providing the TiVo service since 1999. Many consumers are not aware of its benefits, and therefore may not value the TiVo service and products that enable the TiVo service. We will need to devote a substantial amount of time and resources to educate consumers and promote our products in order to increase our subscriptions. We cannot be sure that a broad base of consumers will ultimately subscribe to the TiVo service or purchase the products that enable the TiVo service.

*Consumers may not be willing to pay for our products and services.* Many of our customers already pay monthly fees for cable or satellite television. We must convince these consumers to pay an additional subscription fee to receive the TiVo service. Consumers may perceive the TiVo service and related DVR as too expensive. In order to continue to grow our subscription base, we will need to continue to reduce our costs and lower the price of our DVR. The availability of competing services that do not require subscription fees or that are enabled by low or no cost DVRs will harm our ability to effectively attract and retain subscriptions. In addition, DVRs that enable the TiVo service can be used to pause, rewind, and fast-forward through live shows without an active subscription to the TiVo service. If a significant number of purchasers of the TiVo-enabled DVRs use these devices without subscribing to the TiVo service or cancel their existing subscriptions, our revenue growth will decline and we may not achieve profitability.

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*We compete with other consumer electronics products and home entertainment services for consumer spending.* DVRs and the TiVo service compete in markets that are crowded with other consumer electronics products and home entertainment services. The competition for consumer spending is intense, and many consumers on limited budgets may choose other products and services over ours. DVRs compete for consumer spending with products such as DVD players, satellite television systems, personal computers, and video game consoles. The TiVo service competes with home entertainment services such as cable and satellite television, movie rentals, pay-per-view, and video on demand. See We face intense competition from a number of sources, which may impair our revenues and ability to generate subscriptions.

*Many of these products or services have established markets, broad user bases, and proven consumer acceptance*. In addition, many of the manufacturers and distributors of these competing devices and services have substantially greater brand recognition, market presence, distribution channels, advertising and marketing budgets and promotional, and other strategic partners. Faced with this competition, we may be unable to effectively differentiate the DVR or the TiVo service from other consumer electronics devices or entertainment services.

*We compete with digital cable and satellite DVRs.* Cable and satellite service providers are accelerating deployment of integrated cable and satellite receivers with DVRs that bundle basic DVR services with other digital services and do not require their customer to purchase hardware. If we are not able to enter into agreements with these service providers to embed the TiVo service into their offerings, our ability to attract their subscribers to the TiVo service would be limited and our business, financial condition and results of operations would be harmed.

*It is expensive to establish a strong brand.* We believe that establishing and strengthening the TiVo brand is critical to achieving widespread acceptance of our products and services and to establishing key strategic relationships. The importance of brand recognition will increase as current and potential competitors enter the digital video recorder market with competing products and services. Our ability to promote and position our brand depends largely on the success of our marketing efforts and our ability to provide high quality services and customer support. These activities are expensive and we may not generate a corresponding increase in subscriptions or revenues to justify these costs. If we fail to establish and maintain our brand, or if our brand value is damaged or diluted, we may be unable to attract subscriptions and effectively compete in the digital video recorder market.

*We rely on our customers and consumer electronics manufacturers to market and distribute our products and services.* In addition to our own efforts, our customers and consumer electronics manufacturers distribute DVRs that enable the TiVo service. We rely on their sales forces, marketing budgets and brand images to promote and support DVRs and the TiVo service. We expect to continue to rely on our relationships with these companies to promote and support DVRs and other devices that enable the TiVo service. The loss of one or more of these companies could require us to undertake more of these activities on our own. As a result, we would spend significant resources to support DVRs and other devices that enable the TiVo service. We also expect to rely on DIRECTV and other partners to provide marketing support for the TiVo service. The failure of one or more of these companies to provide anticipated marketing support will require us to divert more of our limited resources to marketing the TiVo service. If we are unable to provide adequate marketing support for DVRs and the TiVo service, our ability to attract subscriptions to the TiVo service will be limited.

**We may agree to share a substantial portion of the revenue we generate from subscription fees with some of our customers and consumer electronics companies. We may be unable to generate enough revenue to cover these obligations.**

In previous agreements, we have agreed to share a substantial portion of our subscription and other fees with some of our customers and consumer electronics manufacturing companies in exchange for manufacturing, distribution and marketing support, and discounts on key components for DVRs. Under these agreements, we may be required to share substantial portions of the subscription and other fees attributable to the same subscription with multiple companies. These agreements also require us to share a portion of our subscription fees whether or not we increase or decrease the price of the TiVo service. If we change our subscription fees in response to competitive or other market factors, our operating results would be adversely affected. Our decision to share subscription revenues is based on our expectation that these relationships will help us obtain subscriptions, broaden market acceptance of digital video recorders, and increase our future revenues. If these expectations are not met, we may be unable to generate sufficient revenue to cover our expenses and obligations.

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**If we are unable to create multiple revenue streams, we may not be able to cover our expenses.**

Although our initial success depends on building a significant customer base and generating subscription fees from the TiVo service, our long-term success will depend on securing additional revenue streams such as:

- licensing;
- advertising;
- audience measurement research;
- revenues from programmers; and
- electronic commerce.

In order to derive substantial revenues from these activities, we will need to attract and retain a large and growing base of subscriptions to the TiVo service. We also will need to work closely with television advertisers, cable and satellite network operators, electronic commerce companies, and consumer electronics manufacturers to develop products and services in these areas. We may not be able to work effectively with these parties to develop products that generate revenues that are sufficient to justify their costs. In addition, we are currently obligated to share a portion of these revenues with several of our strategic partners. Any inability to attract and retain a large and growing group of subscriptions and strategic partners will seriously harm our ability to support new services and develop new revenue streams.

**If we are unable to introduce new products or services, or if our new products and services are unsuccessful or unsatisfactory, our ability to grow our subscription base and retain customers may decrease which could cause our revenues to suffer.**

To attract and retain subscriptions and generate revenues, we must continue to add functionality and content and introduce products and services which embody new technologies and, in some instances, new industry standards. This challenge will require hardware and software improvements, as well as new collaborations with programmers, advertisers, network operators, hardware manufacturers, and other strategic partners. These activities require significant time and resources and may require us to develop and promote new ways of generating revenue with established companies in the television industry. These companies include television advertisers, cable and satellite network operators, electronic commerce companies, and consumer electronics manufacturers. In each of these examples, a small number of large companies dominate a major portion of the market and may be reluctant to work with us to develop new products and services for digital video recorders. If we are unable to further develop and improve the TiVo service or expand our operations in a cost-effective or timely manner, our ability to attract and retain customers and generate revenue will suffer.

**Our ability to retain our current customers may decrease in the future which could increase our TiVo-Owned subscription monthly churn rate and could cause our revenues to suffer.**

We believe factors such as increased competition in the DVR marketplace, increased price sensitivity in the consumer base, any deterioration in the quality of our service, or product lifetime subscriptions no longer using our service may cause our TiVo-Owned subscription monthly churn rate to increase. If we are unable to retain our subscriptions by limiting the factors that we believe increase subscription churn, our ability to grow our subscription base could suffer and our revenues could be harmed.

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**If we fail to manage our growth, it could disrupt our business and impair our ability to generate revenues.**

The growth in our subscription base has placed, and will continue to place, a significant strain on our management, operational and financial resources and systems. Specific risks we face as our business expands include:

*Any inability of our systems to accommodate our expected subscription growth may cause service interruptions or delay our introduction of new services*. We internally developed many of the systems we use to provide the TiVo service and perform other processing functions. The ability of these systems to scale as we rapidly add new subscriptions is unproven. We must continually improve these systems to accommodate subscription growth and add features and functionality to the TiVo service. Our inability to add software and hardware or to upgrade our technology, systems or network infrastructure could adversely affect our business, cause service interruptions or delay the introduction of new services.

*We will need to provide acceptable customer support, and any inability to do so would harm our brand and ability to generate and retain new subscriptions*. Our ability to increase sales, retain current and future subscriptions and strengthen our brand will depend in part upon the quality of our customer support operations. Some customers require significant support when installing the DVR and becoming acquainted with the features and functionality of the TiVo service. We have limited experience with widespread deployment of our products and services to a diverse customer base, and we may not have adequate personnel to provide the levels of support that our customers require. In addition, we have entered into agreements with third parties to provide this support and will rely on them for a substantial portion of our customer support functions. Our failure to provide adequate customer support for the TiVo service and DVR will damage our reputation in the digital video recorder and consumer electronics marketplace and strain our relationships with customers and consumer electronics manufacturers. This could prevent us from gaining new or retaining existing subscriptions and could cause harm to our reputation and brand.

*We will need to improve our operational and financial systems to support our expected growth, and any inability to do so will adversely affect our billing and reporting*. To manage the expected growth of our operations, we will need to improve our operational and financial systems, procedures and controls. Our current and planned systems, procedures and controls may not be adequate to support our future operations and expected growth. For example, we replaced our accounting and billing system at the beginning of August 2000. Delays or problems associated with any improvement or expansion of our operational and financial systems and controls could adversely affect our relationships with our customers and cause harm to our reputation and brand. Delays or problems associated with any improvement or expansion of our operational and financial systems and controls could also result in errors in our financial and other reporting.

**We must manage product transitions successfully in order to remain competitive.**

The introduction of a new product or product line is a complex task, involving significant expenditures in research and development, training, promotion and sales channel development, and management of existing product inventories to reduce the cost associated with returns and slow moving inventory. As new products are introduced, we intend to monitor closely the inventory of products to be replaced, and to phase out their manufacture in a controlled manner. However, we cannot assure you that we will be able to execute product transitions in this manner or that product transitions will be executed without harming our operating results. Failure to develop products with required features and performance levels or any delay in bringing a new product to market could significantly reduce our revenues and harm our competitive position.

**The product lifetime subscriptions to the TiVo service that we currently offer commit us to providing services for an indefinite period. The revenue we generate from these subscriptions may be insufficient to cover future costs.**

We currently offer product lifetime subscriptions that commit us to provide service for as long as the DVR is in service. We receive the product lifetime subscription fee for the TiVo service in advance and amortize it as subscription revenue over four years, which is our estimate of the service life of the DVR. If these product lifetime subscriptions use the DVR for longer than anticipated, we will incur costs without a corresponding revenue stream and therefore will be required to fund ongoing costs of service from other sources. As of July 31, 2004, we had approximately 26,000 product lifetime subscriptions, or approximately 1.38% of our total installed subscription base, had exceeded the four-year period we use to recognize product lifetime subscription revenues.

**Tiered pricing for the TiVo service may reduce our average revenue per user.**

We may elect to offer additional tiers of the TiVo service at various price points, which may have the effect of reducing our average revenue per user.

**The nature of some of our relationships may restrict our ability to operate freely in the future.**

From time to time, we may engage in discussions with other parties concerning relationships, which may include equity investments by such parties in our company. We currently have such relationships with companies, including DIRECTV and Sony. While we believe that such relationships have enhanced our ability to finance and develop our business model, the terms and conditions of such relationships may place some restrictions on the operation of our business in the future.

**We have limited experience in overseeing manufacturing processes and managing inventory and failure to do so effectively may result in supply imbalances or product recalls.**

We have contracted for the manufacture of certain TiVo-enabled DVRs with a contract manufacturer. We sell these units to retailers and distributors, as well as through our own online sales efforts. As part of this effort, we expect to maintain some finished goods inventory of the units throughout the year. Overseeing manufacturing processes and managing inventory are outside of our core business and our experience in these areas is limited. If we fail to effectively oversee the manufacturing process and manage inventory, we may suffer from insufficient inventory to meet consumer demand or excess inventory. Ineffective oversight of the manufacturing process could also result in product recalls.

**We have agreed to subsidize the cost of manufacturing DVRs, which may adversely affect our operating results and ability to achieve profitability.**

In prior years, we entered into agreements with our consumer electronics manufacturers to manufacture DVRs that enable the TiVo service. In certain agreements, we agreed to pay our manufacturers a per-unit subsidy for each DVR that they manufactured and sold. The amount of the payments varied depending upon the manufacturing costs and selling prices. Under some of these arrangements, we paid a portion of the subsidy when the DVR was shipped, and we did not receive any revenues related to the unit until the unit was sold and the purchaser activated the TiVo service. We may make additional subsidy payments in the future to consumer electronic and other manufacturers in an effort to maintain a commercially viable retail price for the DVRs and other devices that enable the TiVo service.

**Product defects, system failures or interruptions to the TiVo service may have a negative impact on our revenues, damage our reputation and decrease our ability to attract new customers.**

Our ability to provide uninterrupted service and high quality customer support depends on the efficient and uninterrupted operation of our computer and communications systems. Our computer hardware and other operating systems for the TiVo service are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunication failures and similar events. They are also subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. These types of interruptions in the TiVo service may reduce our revenues and profits. We currently house the server hardware that delivers the TiVo service at only one location and continue to explore the benefits of establishing a backup facility. Our business also will be harmed if consumers believe our service is unreliable. In addition to placing increased burdens on our engineering staff, service outages will create a flood of customer questions and complaints that must be responded to by our customer support personnel. Any frequent or persistent system failures could irreparably damage our reputation and brand.

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We have detected and may continue to detect errors and product defects. These problems can affect system uptime and result in significant warranty and repair problems, which could cause customer service and customer relations problems. Correcting errors in our software or fixing defects in our products requires significant time and resources, which could delay product releases and affect market acceptance of the TiVo service. Any delivery by us of products or upgrades with undetected material product defects or software errors could harm our credibility and market acceptance of the DVRs and the TiVo service. In addition, defective products could cause a risk of injury that may subject us to litigation or cause us to have to undertake a product recall. For example, we have become aware of occasions where a part has come loose from the remote control device that comes with the DVRs that enable the TiVo service, including occurrences where a young child has gagged on or ingested a part of the remote control device. While we are unaware of any injuries resulting from the use of our products, if we are required to repair or replace any of our products, we could incur significant costs, which would have a negative impact on our financial condition and results of operations.

**We need to safeguard the security and privacy of our subscriptions confidential data, and any inability to do so may harm our reputation and brand and expose us to legal action.**

*The DVR collects and stores viewer preferences and other data that many of our customers consider confidential.* Any compromise or breach of the encryption and other security measures that we use to protect this data could harm our reputation and expose us to potential liability. Advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments could compromise or breach the systems we use to protect our subscriptions confidential information. We may be required to make significant expenditures to protect against security breaches or to remedy problems caused by any breaches.

*Uncertainty in the marketplace regarding the use of data from subscriptions could reduce demand for the TiVo service and result in increased expenses*. Consumers may be concerned about the use of viewing information gathered by the TiVo service and DVR. Currently, we gather anonymous information about our customers viewing choices while using the TiVo service, unless a customer affirmatively consents to the collection of personally identifiable viewing information. This anonymous viewing information does not identify the individual customer. Privacy concerns, however, could create uncertainty in the marketplace for digital video recording and our products and services. Changes in our privacy policy could reduce demand for the TiVo service, increase the cost of doing business as a result of litigation costs or increased service delivery costs, or otherwise harm our reputation and business.

**We may be required to repurchase our outstanding convertible senior notes upon a repurchase event; however, we may not be able to do so.**

Holders of our convertible senior notes may require us to repurchase all or any portion of their notes for cash upon a repurchase event, which includes certain changes in control and a failure of our shares of common stock to be listed for trading on Nasdaq or a U.S. national securities exchange. Our Silicon Valley Bank line of credit agreement may limit us, under certain circumstances, from repaying the repurchase price in cash if we have amounts borrowed against it. Additionally, future debt agreements may prohibit us from repaying the repurchase price in cash. If we are prohibited from repurchasing the notes, we could seek consent from our lenders to repurchase the notes. If we are unable to obtain their consent, we could attempt to refinance the notes. If we were unable to obtain a consent or refinance, we would be prohibited from repurchasing the notes. Even if we are not prohibited from repurchasing the notes, we may not have sufficient funds to do so. If we were unable to repurchase the notes upon a repurchase event, it would result in an event of default under the indenture governing the notes. The occurrence of an event of default under the notes could lead to the acceleration of all amounts outstanding under the notes and may also trigger cross-default provisions resulting in the acceleration of our other then-existing debt. These events in turn could harm our share price as well as our ability to continue our operations.

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**Entertainment companies may claim that some of the features of our DVRs violate copyright laws, which could force us to incur significant costs in defending such actions and affect our ability to market the TiVo service and the products that enable the TiVo service.**

Although we have not been the subject of such actions to date, one of our former competitor s digital video recorders was the subject of several copyright infringement lawsuits by a number of major entertainment companies, including the three major television networks. These lawsuits alleged that the competitor s digital video recorders violate copyright laws by allowing users to skip commercials, delete recordings only when instructed and use the Internet to send recorded materials to other users. TiVo-enabled DVRs have some similar features, including the ability to fast-forward through commercials, the ability to delete recordings only when instructed, and when the TiVoToGo service is released, the ability to transfer recordings from a TiVo-enabled DVR to a PC. Based on market or consumer pressures, we may decide in the future to add additional features similar to those of our former competitors or that may otherwise be objectionable to entertainment companies. If similar actions are filed against us based on current or future features of our DVRs, entertainment companies may seek injunctions to prevent us from including these features and/or damages. Such litigation can be costly and may divert the efforts of our management. Furthermore, if we were ordered to remove features from our DVRs, we may experience increased difficulty in marketing the TiVo service and related TiVo-enabled DVRs and may suffer reduced revenues as a result.

**Our success depends on our ability to secure and protect patents, trademarks and other proprietary rights.**

Our success and ability to compete are substantially dependent upon our internally developed technology. We rely on patent, trademark and copyright law, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect our intellectual proprietary rights. However, the steps we take to protect our proprietary rights may be inadequate. We have filed patent applications and provisional patent applications covering substantially all of the technology used to deliver the TiVo service and its features and functionality. To date, several of these patents have been granted, but we cannot assure you that any additional patents will ever be granted, that any issued patents will protect our intellectual property or that third parties will not challenge any issued patents. In addition, other parties may independently develop similar or competing technologies designed around any patents that may be issued to us. Our failure to secure and protect our proprietary rights could have a material adverse effect on our business.

**We have filed a patent infringement lawsuit against EchoStar Communications Corporation and may incur significant expenses as a result, and an adverse outcome could harm our business.**

On January 5, 2004, we filed a complaint against EchoStar Communications Corporation in the U.S. District Court for the Eastern District of Texas alleging willful and deliberate infringement of U.S. Patent No. 6,233,389, entitled Multimedia Time Warping System. On January 15, 2004, we amended our complaint to add EchoStar DBS Corporation, EchoStar Technologies Corporation, and Echosphere Limited Liability Corporation as additional defendants. We allege that we are the owner of this patent and further allege that the defendants have willfully and deliberately infringed this patent by making, selling, offering to sell and/or selling digital video recording devices, digital video recording device software, and/or personal television services in the United States. On March 2, 2004, EchoStar filed its answer to our complaint, moved to dismiss for lack of personal jurisdiction, and moved to transfer the case from the Eastern District of Texas to the Northern District of California. We have opposed both of EchoStar s motions. We seek unspecified monetary damages as well as an injunction against the defendants further infringement of the patent. We could incur material expenses in this litigation.

**We could be prevented from selling or developing our TiVo software if the GNU General Public License governing the Linux operating system and Linux kernel and similar licenses under which our product is developed and licensed is not enforceable.**

The Linux kernel and the Linux operating system have been developed and licensed under the GNU General Public License and similar open source licenses. These licenses state that any program licensed under them may be liberally copied, modified, and distributed. The GNU General Public license is a subject of litigation in the case of *The SCO Group, Inc. v.*

*International Business Machines Corp.*, pending in the United States District Court for the District of Utah. SCO Group, Inc., or SCO, has publicly alleged that certain Linux kernels contain unauthorized UNIX code or derivative works. Uncertainty concerning SCO s allegations, regardless of their merit, could adversely affect our manufacturing and other customer and supplier relationships. It is possible that a court would hold these licenses to be unenforceable in that litigation or that someone could assert a claim for proprietary rights in our TiVo software that runs on a Linux-based operating system. Any ruling by a court that these licenses are not enforceable, or that Linux-based operating systems, or significant portions of them, may not be liberally copied, modified or distributed, would have the effect of preventing us from selling or developing our TiVo software and would adversely effect our business.

**If there is an adverse outcome in the class action litigation that has been filed against us, our business may be harmed.**

We and certain of our officers and directors are named as defendants in a consolidated securities class action lawsuit filed in the U.S. District Court for the Southern District of New York. This action, which is captioned *Wercberger v. TiVo et al.*, also names several of the underwriters involved in our initial public offering as defendants. This class action is brought on behalf of a purported class of purchasers of our common stock from September 30, 1999, the time of our initial public offering, through December 6, 2000. The central allegation in this action is that our IPO underwriters solicited and received undisclosed commissions from, and entered into undisclosed arrangements with, certain investors who purchased our common stock in our IPO and in the after-market. The complaint also alleges that the TiVo defendants violated the federal securities laws by failing to disclose in our IPO prospectus that the underwriters had engaged in these allegedly undisclosed arrangements. More than 150 issuers have been named in similar lawsuits. In July 2002, an omnibus motion to dismiss all complaints against issuers and individual defendants affiliated with issuers (including the TiVo defendants) was filed by the entire group of issuer defendants in these similar actions. On October 8, 2002, our officers were dismissed as defendants in the lawsuit. On February 19, 2003, the court in this action issued its decision on defendants omnibus motion to dismiss. This decision dismissed the Section 10(b) claim as to TiVo but denied the motion to dismiss the Section 11 claim as to TiVo and virtually all of the other issuer-defendants.

On June 26, 2003, the plaintiffs announced a proposed settlement with us and the other issuer defendants. The proposed settlement provides that the insurers of all settling issuers will guarantee that the plaintiffs recover $1 billion from non-settling defendants, including the investment banks who acted as underwriters in those offerings. In the event that the plaintiffs do not recover $1 billion, the insurers for the settling issuers will make up the difference. Under the proposed settlement, the maximum amount that could be charged to our insurance policy in the event that the plaintiffs recovered nothing from the investment banks would be approximately $3.9 million. We believe that we have sufficient insurance coverage to cover the maximum amount that we may be responsible for under the proposed settlement. Our board of directors approved the proposed settlement at a meeting held on June 25, 2003. It is possible that the Federal District Court may not approve the settlement in whole or part. In the event that the Court does not approve the final settlement, we believe we have meritorious defenses and intend to defend this action vigorously; however, we could be forced to incur material expenses in the litigation, and in the event there is an adverse outcome, our business could be harmed.

**Legislation, laws or regulations that govern the television industry, the delivery of programming and the collection of viewing information from subscriptions could expose us to legal action if we fail to comply or could require us to change our business.**

The delivery of television programming and the collection of viewing information from subscriptions via the TiVo service and a DVR represent a relatively new category in the television and home entertainment industries. As such, it is difficult to predict what laws or regulations will govern our business. Changes in the regulatory climate, the enactment of new legislation, or the expansion, enforcement or interpretation of existing laws could expose us to additional costs and expenses and could require changes to our business. For example, legislation regarding customer privacy or copyright could be enacted or expanded to apply to the TiVo service, which could adversely affect our business. New or existing copyright laws could be applied to restrict the capture of television programming, which would adversely affect our business. It is unknown whether existing laws and regulations will apply to the digital video recorder market. Therefore, it is difficult to anticipate the impact of current or future laws and regulations on our business.

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The Federal Communications Commission has broad jurisdiction over the telecommunications and cable industries. The majority of FCC regulations, while not directly affecting us, do affect many of the companies on whom we substantially rely for the marketing and distribution of the DVR and the TiVo service. As such, the indirect effect of these regulations may adversely affect our business. In addition, the FCC could promulgate new regulations, or interpret existing regulations in a manner that would cause us to incur significant compliance costs or force us to alter the features or functionality of the TiVo service.

**Recently enacted and proposed changes in securities laws and regulations are likely to increase our costs and may affect our ability to be in compliance with such new corporate governance provisions in the future.**

The existing federal securities laws and regulations impose complex and continually changing regulatory requirements on our operations and reporting. With the enactment of the Sarbanes-Oxley Act of 2002 in July 2002, a significant number of new corporate governance requirements have been adopted or proposed. These new requirements impose comprehensive reporting and disclosure requirements, set stricter independence and financial expertise standards for audit committee members, and impose increased civil and criminal penalties for companies, their chief executive officers, chief financial officers and directors for securities law violations. We expect these developments to increase our legal compliance costs, increase the difficulty and expense in obtaining director and officer liability insurance, and make it harder for us to attract and retain qualified members of our board of directors and/or qualified executive officers. Such developments could harm our results of operations and divert management s attention from business operations. Additionally, we will have to comply with Section 404 of the Sarbanes-Oxley Act beginning with our fiscal year ending January 31, 2005 which will require our management to report on the adequacy of our internal control over financial reporting and requires our independent auditors to provide a related attestation as to management s evaluation. If we are not successful in complying with these requirements, our business could be harmed.

**The current legislative and regulatory environment affecting accounting principles generally accepted in the United States of America is uncertain and volatile, and significant changes in current principles could affect our financial statements going forward.**

The accounting rules and regulations that we must comply with are complex and continually changing. Recent actions and public comments from the Securities Exchange Commission have focused on the integrity of financial reporting generally. Similarly, the U.S. Congress has considered a variety of bills that could affect certain accounting principles. The FASB has recently introduced several new or proposed accounting standards or are developing new proposed standards, such as accounting for stock options, which would represent a significant change from current industry practices. In addition, many companies accounting policies are being subject to heightened scrutiny by regulators and the public. While we believe that our financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, we cannot predict the impact of future changes to accounting principles or our accounting policies on our financial statements going forward. In addition, were we to change our critical accounting estimates, including with respect to the recognition of revenue from our product lifetime subscriptions, our results of operations could be significantly impacted.

**If we lose key management personnel, we may not be able to successfully operate our business.**

Our future performance will be substantially dependent on the continued services of our senior management and other key personnel. The loss of any members of our executive management team and our inability to hire additional executive management could harm our business and results of operations. In addition, we do not have key man insurance policies for any of our key personnel.

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**Our Certificate of Incorporation, Bylaws, Rights Agreement and Delaware law could discourage a third party from acquiring us and consequently decrease the market value of our common stock.**

We may become the subject of an unsolicited attempted takeover of our company. Although an unsolicited takeover could be in the best interests of our stockholders, certain provisions of Delaware law, our organizational documents and our Rights Agreement could be impediments to such a takeover.

We are subject to the provisions of Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, the statute prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws also require that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of the stockholders and may not be effected by a consent in writing. In addition, special meetings of our stockholders may be called only by a majority of the total number of authorized directors, the chairman of the board, our chief executive officer or the holders of 50% or more of our common stock. Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws also provide that directors may be removed only for cause by a vote of a majority of the stockholders and that vacancies on the board of directors created either by resignation, death, disqualification, removal or by an increase in the size of the board of directors may be filled by a majority of the directors in office, although less than a quorum. Our Amended and Restated Certificate of Incorporation also provides for a classified board of directors and specifies that the authorized number of directors may be changed only by resolution of the board of directors.

On January 9, 2001, our board of directors adopted a Rights Agreement. Each share of our common stock has attached to it a right to purchase one one-hundredth of a share of our Series B Junior Participating Preferred Stock at a price of $60 per one one-hundredth of a preferred share. Subject to limited exceptions, the rights will become exercisable following the tenth day after a person or group announces the acquisition of 15% or more (or 30.01% or more in the case of America Online, Inc. and its affiliates and associates until such time as America Online and its affiliates and associates cease to beneficially own any common shares) of our common stock, and thereby becomes an acquiring person, or announces commencement of a tender offer or exchange offer, the consummation of which would result in the ownership by the person or group of 15% or more (or 30.01% or more in the case of America Online and its affiliates and associates until such time as America Online and its affiliates and associates cease to beneficially own any common shares) of our common stock. The rights are not exercisable as of August 30, 2004. We will be entitled to redeem the rights at $0.01 per right at any time prior to the time that a person or group becomes an acquiring person.

These provisions of Delaware law, our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws and our Rights Agreement could make it more difficult for us to be acquired by another company, even if our acquisition is in the best interests of our stockholders. Any delay or prevention of a change of control or change in management could cause the market price of our common stock to decline.

**In the future, our revenues and operating results may fluctuate significantly, which may adversely affect the market price of our common stock.**

We expect our revenues and operating results to fluctuate significantly due to a number of factors, many of which are outside of our control. Therefore, you should not rely on period-to-period comparisons of results of operations as an indication of our future performance. It is possible that in some periods our operating results may fall below the expectations of market analysts and investors. In this event, the market price of our common stock would likely fall.

Factors that may affect our quarterly operating results include:

- demand for TiVo-enabled DVRs and the TiVo service;

- the timing and introduction of new services and features on the TiVo service;
- seasonality and other consumer and advertising trends;
- changes in revenue sharing arrangements with our strategic relationships;
- entering into new or terminating existing strategic partnerships;
- changes in the subsidy payments we make to certain strategic relationships;
- changes in our pricing policies, the pricing policies of our competitors and general pricing trends in the consumer electronics market;
- timing of revenue recognition under our licensing agreements;
- loss of subscriptions to the TiVo service; and
- general economic conditions.

Because our expenses precede associated revenues, unanticipated shortfalls in revenues could adversely affect our results of operations for any given period and cause the market price of our common stock to fall.

**Seasonal trends may cause our quarterly operating results to fluctuate and our inability to forecast these trends may adversely affect the market price of our common stock.**

Consumer electronic product sales have traditionally been much higher during the holiday shopping season than during other times of the year. Although predicting consumer demand for our products is very difficult, we have experienced that sales of DVRs and new subscriptions to the TiVo service have been disproportionately high during the holiday shopping season when compared to other times of the year. If we are unable to accurately forecast and respond to consumer demand for our products, our reputation and brand will suffer and the market price of our common stock would likely fall.

We expect that a portion of our future revenues will come from targeted commercials and other forms of television advertising enabled by the TiVo service. Expenditures by advertisers tend to be seasonal and cyclical, reflecting overall economic conditions as well as budgeting and buying patterns. A decline in the economic prospects of advertisers or the economy in general could alter current or prospective advertisers spending priorities or increase the time it takes to close a sale with our advertisers, which could cause our revenues from advertisements to decline significantly in any given period.

**If we are unable to raise additional capital on acceptable terms, our ability to effectively manage growth and build a strong brand could be harmed.**

We expect that our existing capital resources will be sufficient to meet our cash requirements through the next twelve months. However, as we continue to grow our business, we may need to raise additional capital, which may not be available on acceptable terms or at all. If we cannot raise necessary additional capital on acceptable terms, we may not be able to develop or enhance our products and services, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements.

If additional capital is raised through the issuance of equity securities, the percentage ownership of our existing stockholders will decline, stockholders may experience dilution in net book value per share, or these equity securities may have rights, preferences or privileges senior to those of the holders of our common stock. Any debt financing, if available, may involve covenants limiting, or restricting our operations or future opportunities.

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**The large number of shares available for future sale could adversely affect the market price for our stock.**

Sales of a substantial number of shares of our common stock in the public market or the perception that such sales might occur could adversely affect the market price of our common stock. Several of our stockholders own a substantial number of our shares.

In addition, in August 2001, we issued $51.8 million in principal amount of our convertible senior notes due 2006, of which, as of July 31, 2004, there was $10.5 million in principal amount still outstanding. As of July 31, 2004, these notes were convertible into a maximum of 2,619,045 shares of our common stock. In connection with the convertible notes offering, we also issued five-year warrants to purchase 2,192,404 shares of our common stock that were still outstanding as of July 31, 2004. Pursuant to registration rights agreements with the investors in that offering, we have registered the resale of the convertible notes, warrants and shares of common stock issuable upon conversion or exercise of the convertible notes or warrants.

As of July 31, 2004, options to purchase a total of 15,059,294 shares were outstanding under our option and equity incentive plans, and there were 10,415,768 shares available for future grants. We have filed registration statements with respect to the shares of common stock issuable under our option and equity incentive plans.

Future sales of the shares of the common stock described above, or the registration for sale of such common stock, or the issuance of common stock to satisfy our current or future cash payment obligations or to acquire technology, property, or other businesses, could cause immediate dilution and adversely affect the market price of our common stock. The sale or issuance of such stock, as well as the existence of outstanding options and shares of common stock reserved for issuance under our option and equity incentive plans, as well as the shares issuable upon conversion or exercise of our outstanding convertible notes and warrants, also may adversely affect the terms upon which we are able to obtain additional capital through the sale of equity securities.

**We expect to continue to experience volatility in our stock price.**

The market price of our common stock is highly volatile. Since our initial public offering in September 1999 through August 30, 2004, our common stock has closed between $71.50 per share and $2.55 per share, closing at $4.25 on August 30, 2004. The market price of our common stock may be subject to significant fluctuations in response to, among other things, the factors discussed in this section and the following factors:

- Changes in estimates of our financial performance or changes in recommendations by securities analysts;
- Our failure to meet, or our ability to exceed, the expectations of securities analysts or investors;
- Release of new or enhanced products or introduction of new marketing initiatives by us or our competitors;
- Announcements by us or our competitors of the creation, developments under or termination of significant strategic relationships, joint ventures, significant contracts or acquisitions;

Fluctuations in the market prices generally for technology and media-related stocks;

Fluctuations in general economic conditions;

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- Fluctuations in interest rates;
- Market conditions affecting the television and home entertainment industry and the technology sector;
- Fluctuations in operating results; and
- Additions or departures of key personnel.

The stock market has from time to time experienced extreme price and volume fluctuations, which have particularly affected the market prices for emerging companies, and which have often been unrelated to their operating performance. These broad market fluctuations may adversely affect the market price of our common stock.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains certain forward-looking statements within the meaning of section 27A of the Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to, among other things, our future financial position, services, business development, strategy and our management s plans and objectives for future operations. Forward-looking statements generally can be identified by the use of forward-looking terminology such as believe, expect, may, will, intend, estimate, continue, ongoing, predict, potential, and anticipate or similar expressions or the negative of those terms or expressions. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from those expressed or implied by such forward-looking statements. Such factors include, among others, the information contained under the caption Part I, Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations in this quarterly report. The reader is cautioned not to place undue reliance on these forward-looking statements, which reflect management s analysis only as of the date of this quarterly report and we undertake no obligation to publicly update or revise any forward-looking statements in this quarterly report. The reader is strongly urged to read the information set forth under the caption Part II, Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations, in particular Factors That May Affect Future Operating Results, for a more detailed description of these significant risks and uncertainties.

## Item 3. Quantitative and Qualitative Disclosure About Market Risk

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio. We do not use derivative financial instruments in our investment portfolio and we conduct transactions in U.S. dollars. Our investment portfolio only includes highly liquid instruments with original maturities of less than one year.

We are subject to fluctuating interest rates that may affect, adversely or otherwise, our results of operations or cash flows for our cash and cash equivalents and any short-term investments.

The table below presents principal amounts and related weighted average interest rates as of July 31, 2004 for our cash and cash equivalents. We had no short-term investments at this time.

| | |
|---|---|
| Cash and cash equivalents (in thousands) | $ 129,993 |
| Average interest rate | 1.01% |

Although payments under the operating lease for our facility are tied to market indices, we are not exposed to material interest rate risk associated with the operating lease.

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### ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Rule 13a-15(b) and 15d-15(b) under the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the fiscal quarter covered by this report. Based upon the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective in reaching a level of reasonable assurance in achieving our desired control objectives.

There have been no significant changes in our internal controls over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

## PART II : OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

The information set forth under Note 6. of Notes to Unaudited Condensed Consolidated Financial Statements, included in Part I, Item 1. of this Report, is incorporated herein by reference.

### ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

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

None.

**Item 5. Other Information.**

The information set forth under Note 7. of Notes to Unaudited Condensed Consolidated Financial Statements, included in Part I, Item 1. of this Report, is incorporated herein by reference.

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### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

**(a) EXHIBITS**

| EXHIBIT NUMBER | DESCRIPTION |
|---|---|
| 10.0+ | Third Amendment to Vendor Agreement, effective as of February 27, 2004, between Best Buy Co., Inc. and TiVo Inc. (filed herewith). |
| 10.1+ | Intellectual Property and Technology Agreement, effective as of August 9, 2004, between TiVo Inc., TGC, Inc., and TiVo Intl. II, Inc. (filed herewith). |
| 10.2+ | Share Transfer Agreement, effective August 9, 2004, between TGC, Inc., TiVo Inc., and certain other investors listed therein (filed herewith). |
| 10.3+ | Investor Rights Agreement, effective August 9, 2004, between TGC, Inc., TiVo Inc., and certain other investors listed therein (filed herewith). |
| 10.4 | Consulting Agreement between TiVo Inc. and Tai-Wei Chien dated August 3, 2004 (filed herewith). |
| 31.1 | Certification of Michael Ramsay, Chairman of the Board of Directors and Chief Executive Officer of TiVo Inc. dated September 9, 2004 pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of David H. Courtney, Executive Vice President and Chief Financial Officer of TiVo Inc. dated September 9, 2004 pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Michael Ramsay, Chairman of the Board of Directors and Chief Executive Officer of TiVo Inc. dated September 9, 2004 in accordance with 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of David H. Courtney, Executive Vice President and Chief Financial Officer of TiVo Inc. dated September 9, 2004 in accordance with 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

+ Confidential treatment has been requested as to portions of this exhibit.

**(b) REPORTS ON FORM 8-K**

The registrant filed the following reports on Form 8-K during the quarter ended July 31, 2004:

Current Report on Form 8-K (Item 5) on May 25, 2004, regarding the announcement of the registrant s earnings for the first quarter ended April 30, 2004.

Current Report on Form 8-K (Items 7 and 12) on May 25, 2004, regarding furnishing the press release of the registrant s earnings for the first quarter ended April 30, 2004.

Current Report on Form 8-K (Item 5) on June 4, 2004, regarding the resignation from the board of directors of Mr. Hartenstein.

Current Report on Form 8-K (Item 5 and 7) on July 15, 2004, regarding the announcement of the registrant s renewal of its Loan and Security Agreement with Silicon Valley Bank.

Subsequent to July 31, 2004, the registrant filed the following reports on Form 8-K:

Current Report on Form 8-K (Item 5) on August 11, 2004, regarding the announcement of the registrant s minority interest in TGC, Inc., a newly formed independent entity.

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Current Report on Form 8-K (Item 8.01) on August 26, 2004, regarding the announcement of the registrant s earnings for the second quarter ended July 31, 2004.

Current Report on Form 8-K (Items 2.02 and 9.01) on August 26, 2004, regarding furnishing the press release of the registrant s earnings for the second quarter ended July 31, 2004.

**Trademark Acknowledgments**

TiVo, the TiVo Logo, TiVo Smile Design, TiVo Central, Can t Miss TV, Ipreview, TiVoMatic, TV Your Way, What you want, when y it, TiVolution, Overtime Scheduler, and the Jump Logo are registered trademarks of TiVo Inc.

Active Preview, DIRECTIVO, Home Media Option, Life s too short for bad TV, Personal TV, Primetime Anytime, Season Pass, See i get it, Thumbs Down (logo and text), Thumbs Up (logo and text), TiVo Series2 (logo and text), TiVo, TV Your Way, WishList, and You v life, TiVo gets it are trademarks of TiVo Inc. All other trademarks or trade names appearing in this report are the property of their respective owners.

## SIGNATURES

Pursuant to the requirements 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.

**TIVO INC.**

Date: September 9, 2004

By: /s/ Michael Ramsay

Michael Ramsay
Chief Executive Officer and Chairman of the Board of Directors
(Principal Executive Officer)

Date: September 9, 2004

By: /s/ David H. Courtney

David H. Courtney
Chief Financial Officer and Executive Vice President of Worldwide Operations and Administration
(Principal Financial and Accounting Officer)

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