



September 12, 2003

## NETGEAR Reports Second Quarter 2003 Results

- | **24% Revenue growth year over year**
- | **Net income increases to \$11.5 million, including \$9.8 million one time deferred tax reversal**
- | **EPS of \$0.48 including one time deferred tax reversal of \$0.41 per share**

SANTA CLARA, Calif. - September 12, 2003 - NETGEAR, Inc. (Nasdaq: NTGR), a worldwide provider of technologically advanced, branded networking products, today reported financial results for the second quarter ended June 29, 2003.

Net revenue for the second quarter ended June 29, 2003 increased 24% or \$13.5 million to \$69.0 million, compared to \$55.5 million for the quarter ended June 30, 2002. This was due to an increase in demand primarily for broadband and wireless products. Revenue in all global markets increased on a year over year basis. Net income for the second quarter ended June 29, 2003 increased 528% or \$9.7 million to \$11.5 million, compared to \$1.8 million for the quarter ended June 30, 2002. Included in the net income for the second quarter was a reversal of a deferred tax valuation allowance of \$9.8 million. On a per share basis, net income was \$0.57 per basic share and \$0.48 per diluted share in the second quarter of 2003, including \$0.48 and \$0.41 respectively relating to the one time reversal. This compares to \$0.09 per basic and diluted share in the second quarter of 2002.

Net revenue for the six-month period ended June 29, 2003 increased 35% or \$35.6 million to \$136.7 million, compared to \$101.1 million for the six months ended June 30, 2002. Net income for the six-month period ended June 29, 2003 increased 453% or \$10.7 million to \$13.1 million, from \$2.4 million for the six months ended June 30, 2002. On a per share basis, net income was \$0.65 per basic share and \$0.55 per diluted share for the six-month period ended June 29, 2003, including \$0.48 and \$0.41 respectively relating to the one time reversal, compared to a net loss attributable to common shareholders of \$(0.70) per basic and diluted share for the six months ended June 30, 2002. The 2002 period includes a deemed non-cash preferred dividend of \$17.9 million.

Patrick Lo, Chairman and Chief Executive Officer of NETGEAR, commented, "We are pleased with the second quarter. This was another strong quarter for us as our customer focused strategy of serving the networking needs of the small business and home-networking markets is driving record growth in revenue and operating profit. Importantly, the needs and demand levels of the small business and home networking markets remain robust and give us confidence in our prospects."

"We completed our Initial Public Offering on July 31. The IPO represents a major milestone in the history of NETGEAR and further strengthens the company's financial position, which will allow us to address new business and technology opportunities as we continue to expand the breadth of our product offerings and geographic reach," continued Lo. "I would like to thank our employees and early investors for their dedication and support through our IPO process. We also would like to thank our public investors for their show of confidence in our business and our management."

Through its initial public offering, NETGEAR raised approximately \$102 million net of expenses. The Company used \$20.0 million of the proceeds to repay an outstanding note to Nortel Networks and \$17.0 million to repay amounts drawn on its bank line of credit. The repayment of debt is expected to result in a pre-tax charge of approximately \$6.0 million in the third quarter 2003 due to the acceleration of interest expense equal to the unamortized discount balance at the date of payment.

Jonathan Mather, Chief Financial Officer of NETGEAR, said, "During the second quarter, we saw strength across all product categories and geographies. The higher revenues, combined with a more favorable product mix and ongoing operating efficiency improvement, led to an expansion in our gross margin to 27.6% compared to 27.3% in the first quarter and 25.6% in the year ago second quarter."

During the quarter, NETGEAR announced further enhancements to its already comprehensive set of small business and home networking solutions by expanding its line of 802.11g wireless networking products for homes and launching the industry's first dual band 802.11a+g VPN firewall for small business. In addition, NETGEAR introduced a new category of business-class wireless solutions, including an access point and antennae line that deliver higher security and expanded wireless range to small business.

Looking forward, Mr. Lo added, "We are entering the seasonally strong second half with confidence in our outlook. Our retail channel is experiencing good back-to-school demand. We are also benefiting from strength in our small businesses channels such as Value Added Re-sellers (VARs), and Direct Marketing Re-sellers (DMRs), as more and more business customers seek the improved performance and mobility offered by our high speed wired and wireless solutions."

## About NETGEAR Inc.

NETGEAR (Nasdaq: NTGR) designs technologically advanced, branded networking products that address the specific needs of small business and home users. The Company's suite of approximately 100 products enables users to share Internet access, peripherals, files, digital multimedia content and applications among multiple personal computers and other Internet-enabled devices. NETGEAR is headquartered in Santa Clara, Calif. For more information, visit the company's Web site at [www.netgear.com](http://www.netgear.com) or call (408) 907-8000.

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This release contains forward-looking statements. The forward-looking statements represent NETGEAR, Inc.'s expectations or beliefs concerning future events and include statements, among other, regarding the expected performance, market acceptance, market growth, market position of NETGEAR, and its products and technology. NETGEAR undertakes no duty to update these forward-looking statements. These statements are subject to risks and uncertainties, including without limitation, the price/performance requirements of customers, the ability of NETGEAR to sell products incorporating the technology, the impact and pricing of competing technologies, the introduction of alternative technological solutions, the inability of NETGEAR's new products to gain wide market acceptance and other risks detailed from time-to-time in NETGEAR's SEC filings and reports.

