

NETGEAR® REPORTS FOURTH QUARTER AND FULL YEAR 2009 RESULTS

- Fourth quarter 2009 net revenue of \$218.8 million, as compared to \$161.4 million in the comparable prior year quarter, 36% year-over-year growth
- Fourth quarter 2009 non-GAAP net income of \$11.8 million, as compared to net loss of \$2.5 million in the comparable prior year quarter
- Fourth quarter 2009 non-GAAP diluted earnings per share of \$0.34, as compared to diluted loss per share of \$0.07 in the comparable prior year quarter
- 2009 net revenue was \$686.6 million, as compared to \$743.3 million in 2008, 8% year-over-year decline
- 2009 non-GAAP net income of \$23.7 million, as compared to \$33.0 million in 2008
- 2009 non-GAAP diluted earnings per share of \$0.68, as compared to \$0.93 in 2008
- Company expects first quarter 2010 net revenue to be in the range of \$195 million to \$205 million, with non-GAAP operating margin in the range of 10% to 11%

SAN JOSE, California – February 9, 2010 – NETGEAR, Inc. (NASDAQGM: NTGR), a worldwide provider of technologically innovative, branded networking products, today reported financial results for the fourth quarter and fiscal year ended December 31, 2009.

Net revenue for the fourth quarter ended December 31, 2009 was \$218.8 million, as compared to \$161.4 million for the fourth quarter ended December 31, 2008, and as compared to \$171.1 million in the third quarter ended September 27, 2009. Net income, computed in accordance with GAAP, for the fourth quarter of 2009 was \$7.9 million, or \$0.22 per diluted share. This compared to GAAP net loss of \$7.3 million, or \$0.21 per diluted share, for the fourth quarter of 2008, and to GAAP net income of \$8.5 million, or \$0.24 per diluted share, in the third quarter of 2009.

Gross margin on a non-GAAP basis in the fourth quarter of 2009 was 31.1%, as compared to 31.2% in the year ago comparable quarter, and 33.5% in the third quarter of 2009. Non-GAAP operating margin was 11.2% in the fourth quarter of 2009, as compared to 5.6% in the fourth quarter of 2008, and 10.6% in the third quarter of 2009. Non-GAAP net income was \$0.34 per diluted share in the fourth quarter of 2009, as compared to non-GAAP net loss of \$0.07 per diluted share in the fourth quarter of 2008, and non-GAAP net income of \$0.31 per diluted share in the third quarter of 2009.

The differences between GAAP and non-GAAP financial measures include adjustments, net of any tax effect, for in-process research and development and technology license arrangements, amortization of purchased intangibles, stock-based compensation, restructuring, acquisition related compensation, and litigation reserves. The accompanying schedules provide a reconciliation of financial measures computed on a GAAP basis to financial measures computed on a non-GAAP basis.

Net revenue for the full year 2009 was \$686.6 million, an 8% decrease as compared to \$743.3 million for 2008. Net income, computed in accordance with GAAP, for 2009 was \$9.3 million or \$0.27 per diluted share. This net income was a 49% decrease compared to net income of \$18.1 million for 2008. Earnings per share, computed in accordance with GAAP, was \$0.51 per diluted share for the full year 2008.

Non-GAAP net income for the full year 2009 was \$23.7 million, a 28% decrease compared to non-GAAP net income of \$33.0 million for 2008. Non-GAAP net income was \$0.68 per diluted share for 2009, as compared to \$0.93 per diluted share for 2008, a 27% decrease.

Patrick Lo, Chairman and Chief Executive Officer of NETGEAR, commented, “We exceeded expectations and recorded net revenue of \$218.8 million in the fourth quarter 2009, a new record for net revenue during any quarter since NETGEAR’s inception. Revenue upside was driven by better than planned market share gain in the U.S.,

European market year-over-year growth and higher than expected revenue contribution from new products. During the fourth quarter, we also were selected to fulfill a one-time \$18 million order by a service provider customer. Our net revenue from service providers was approximately 28% of total net revenue in the fourth quarter 2009, as compared to 25% in the third quarter of 2009, and 18% in the fourth quarter of 2008. We are extremely pleased with our fourth quarter 2009 business performance.

On the innovation side, we introduced 23 new products during the fourth quarter 2009. Notable new products include a set of next generation HD AV grade Powerline network adapters, the 24 TB Rackmount ReadyNAS® networked storage for growing businesses, and yet another new line of DOCSIS 3.0 cable data WiFi gateways. Additionally, we jointly introduced the NETGEAR exclusive Push2TV™ adapter with Intel®, enabling PC viewing of any Internet multimedia content onto an HDTV wirelessly. In January, at the Consumer Electronics Show in Las Vegas, NETGEAR was the recipient of two Innovation Honoree awards for our home media server, the NETGEAR Stora™, and our 3G/4G modem router.”

Christine Gorjanc, Chief Financial Officer of NETGEAR, said, “We ended the fourth quarter of 2009 with \$247.1 million in cash, cash equivalents and short-term investments, compared to \$203.0 million at the end of the fourth quarter of 2008, and \$234.5 million at the end of the third quarter of 2009. Our net inventory ended at \$90.6 million, compared to \$112.2 million at the end of the fourth quarter of 2008, and \$73.9 million at the end of the third quarter of 2009.”

Net revenue by geography comprises gross revenue less such items as marketing incentives paid to customers, sales returns and price protection. The following table shows net revenue by geography for the periods indicated:

Net revenue by geography:

| | Three months ended | | | | Year ended | | | | | |
|--------------------------------|--------------------|------|-------------------|------|--------------------|------|-------------------|------|-----------|------|
| | December 31, 2009 | | December 31, 2008 | | September 27, 2009 | | December 31, 2008 | | | |
| North America | \$104,327 | 48% | \$68,845 | 43% | \$75,408 | 44% | \$314,392 | 46% | \$297,641 | 40% |
| Europe, Middle-East and Africa | \$91,177 | 42% | \$76,685 | 47% | 72,590 | 42% | \$292,182 | 42% | 354,058 | 48% |
| Asia Pacific | \$23,328 | 10% | \$15,829 | 10% | 23,073 | 14% | \$80,021 | 12% | 91,645 | 12% |
| | \$218,832 | 100% | \$161,359 | 100% | \$171,071 | 100% | \$686,595 | 100% | \$743,344 | 100% |

Looking forward, Mr. Lo added, “We continue to benefit from our unwavering commitment to research and development during the recession, resulting in unprecedented new product introductions in the last 2 quarters with more to come. We entered 2010 with a strong new product lineup and we remain focused on continuously driving growth through new products, leading to gains in our market share globally. In the first quarter of 2010, we intend to roll out another 18-20 new products. Specifically, for the first quarter 2010, we expect net revenue in the range of approximately \$195 million to \$205 million, with non-GAAP operating margin to be in the range of 10% to 11%.”

Investor Conference Call / Webcast Details

NETGEAR will review the fourth quarter and full year 2009 results and discuss management’s expectations for the first quarter of 2010 today, Tuesday, February 9, 2010 at 5 p.m. EST (2 p.m. PST). The dial-in number for the live audio call is (201) 689-8560. A live webcast of the conference call will be available on NETGEAR's website at www.netgear.com. A replay of the call will be available 2 hours following the call through midnight EST (9 p.m. PST) on Tuesday, February 16, 2010 by telephone at (201) 612-7415 and via the web at www.netgear.com. The account number to access the phone replay is 3055 and the conference ID number is 342694.

About NETGEAR, Inc.

NETGEAR (NASDAQGM: NTGR) designs innovative, branded technology solutions that address the specific networking, storage, and security needs of small- to medium-sized businesses and home users. The company offers an end-to-end networking product portfolio to enable users to share Internet access, peripherals, files, multimedia content, and applications among multiple computers and other Internet-enabled devices. Products are built on a variety of proven technologies such as wireless, Ethernet and powerline, with a focus on reliability and ease-of-use. NETGEAR products are sold in over 28,000 retail locations around the globe, and via more than 39,000 value-added resellers. The company’s headquarters are in San Jose, Calif., with additional offices in 25 countries. NETGEAR is an ENERGY STAR® partner. More information is available by visiting www.netgear.com or calling (408) 907-8000. Follow NETGEAR at <http://twitter.com/NETGEAR> and <http://www.facebook.com/netgear>.

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Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 for NETGEAR, Inc.:

This press release contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. The words "anticipate", "expect", "believe", "will", "may", "should", "estimate", "project", "outlook", "forecast" or other similar words are used to identify such forward-looking statements. However, the absence of these words does not mean that the statements are not forward-looking. The forward-looking statements represent NETGEAR, Inc.'s expectations or beliefs concerning future events based on information available at the time such statements were made and include statements, among others, regarding NETGEAR's expected revenue, earnings, gross and operating margin and operating income on both a GAAP and non-GAAP basis, our ability and intent to launch new product offerings and continue product development efforts, current and future demand for the Company's existing and anticipated new products, and our ability to increase market share for the Company's products globally. These statements are based on management's current expectations and are subject to certain risks and uncertainties, including, without limitation, the following: future demand for the Company's products may be lower than anticipated; consumers may choose not to adopt the Company's new product offerings or adopt competing products; product performance may be adversely affected by real world operating conditions; the Company may be unsuccessful or experience delays in manufacturing and distributing its new and existing products; telecommunications service providers may choose to slow their deployment of the Company's products or utilize competing products; the Company may be unable to collect receivables as they become due; the Company may fail to manage costs, including the cost of developing new products and manufacturing and distribution of its existing offerings; the Company may fail to successfully continue to effect operating expense savings; channel inventory information reported is estimated based on the average number of weeks of inventory on hand on the last Saturday of the quarter, as reported by certain of NETGEAR's customers; changes in the level of NETGEAR's cash resources and the Company's planned usage of such resources; changes in the Company's stock price and developments in the business that could increase the Company's cash needs, fluctuations in foreign exchange rates, and the actions and financial health of the Company's customers. Further, certain forward-looking statements are based on assumptions as to future events that may not prove to be accurate. Therefore, actual outcomes and results may differ materially from what is expressed or forecast in such forward-looking statements. Further information on potential risk factors that could affect NETGEAR and its business are detailed in the Company's periodic filings with the Securities and Exchange Commission, including, but not limited to, those risks and uncertainties listed in the section entitled "Part II - Item 1A. Risk Factors," pages 36 through 50, in the Company's Quarterly Report on Form 10-Q for the quarter ended September 27, 2009, filed with the Securities and Exchange Commission on November 6, 2009. NETGEAR undertakes no obligation to release publicly any revisions to any forward-looking statements contained herein to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Use of Non-GAAP Financial Information:

To supplement our consolidated financial statements presented on a GAAP basis, NETGEAR uses non-GAAP financial measures, which are adjusted to exclude certain expenses and tax benefits, where applicable. We believe non-GAAP financial measures are appropriate to enhance an overall understanding of our past financial performance and also our prospects for the future. These adjustments to our current period GAAP results are made with the intent of providing both management and investors a more complete understanding of NETGEAR's underlying operational results and trends and our marketplace performance. For example, the non-GAAP results are an indication of our baseline performance before charges that are considered by management to be outside of our core operating results. In addition, these adjusted non-GAAP results are among the primary indicators management uses as a basis for our planning and forecasting of future periods. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial measures prepared in accordance with generally accepted accounting principles in the United States.

- Financial Tables Attached -

NETGEAR, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

| | December 31, 2009 | December 31, 2008 |
|---|------------------------------|------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 172,202 | \$ 192,839 |
| Short-term investments | 74,898 | 10,170 |
| Accounts receivable, net | 162,853 | 138,275 |
| Inventories | 90,590 | 112,240 |
| Deferred income taxes | 13,347 | 13,129 |
| Prepaid expenses and other current assets | 20,835 | 22,695 |
| Total current assets | 534,725 | 489,348 |
| Property and equipment, net | 16,891 | 20,292 |
| Intangibles, net | 8,298 | 13,311 |
| Goodwill | 64,908 | 61,400 |
| Other non-current assets | 8,299 | 1,858 |
| Total assets | \$ 633,121 | \$ 586,209 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 69,081 | \$ 60,073 |
| Accrued employee compensation | 11,040 | 7,177 |
| Other accrued liabilities | 87,894 | 87,747 |
| Deferred revenue | 22,106 | 21,508 |
| Income taxes payable | 5,488 | - |
| Total current liabilities | 195,609 | 176,505 |
| Non-current income taxes payable | 17,479 | 12,357 |
| Other non-current liabilities | 5,880 | 6,389 |
| Total liabilities | 218,968 | 195,251 |
| Stockholders' equity: | | |
| Common stock | 35 | 34 |
| Additional paid-in capital | 280,256 | 266,070 |
| Cumulative other comprehensive income | 24 | 67 |
| Retained earnings | 133,838 | 124,787 |
| Total stockholders' equity | 414,153 | 390,958 |
| Total liabilities and stockholders' equity | \$ 633,121 | \$ 586,209 |

NETGEAR, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

| | Three months ended | | | Year ended | |
|--|----------------------|-----------------------|----------------------|----------------------|----------------------|
| | December 31, 2009 | September 27, 2009 | December 31, 2008 | December 31, 2009 | December 31, 2008 |
| Net revenue | \$ 218,832 | \$ 171,071 | \$ 161,359 | \$ 686,595 | \$ 743,344 |
| Cost of revenue | <u>152,368</u> | <u>115,326</u> | <u>112,900</u> | <u>480,195</u> | <u>502,320</u> |
| Gross profit | <u>66,464</u> | <u>55,745</u> | <u>48,459</u> | <u>206,400</u> | <u>241,024</u> |
| Operating expenses: | | | | | |
| Research and development | 7,854 | 7,353 | 8,184 | 30,056 | 33,773 |
| Sales and marketing | 30,086 | 25,710 | 27,247 | 106,162 | 121,687 |
| General and administrative | 8,133 | 8,502 | 8,495 | 32,727 | 31,733 |
| Restructuring | 11 | 104 | 965 | 809 | 1,929 |
| In-process research and development and technology license arrangements | 2,500 | - | 1,800 | 2,500 | 1,800 |
| Litigation reserves, net | 20 | (480) | 575 | 2,080 | 711 |
| Total operating expenses | <u>48,604</u> | <u>41,189</u> | <u>47,266</u> | <u>174,334</u> | <u>191,633</u> |
| Income from operations | 17,860 | 14,556 | 1,193 | 32,066 | 49,391 |
| Interest income | 81 | 66 | 808 | 629 | 4,336 |
| Other expense, net | <u>(466)</u> | <u>(266)</u> | <u>(6,560)</u> | <u>(128)</u> | <u>(8,384)</u> |
| Income (loss) before income taxes | 17,475 | 14,356 | (4,559) | 32,567 | 45,343 |
| Provision for income taxes | 9,622 | 5,826 | 2,784 | 23,234 | 27,293 |
| Net income (loss) | <u>\$ 7,853</u> | <u>\$ 8,530</u> | <u>\$ (7,343)</u> | <u>\$ 9,333</u> | <u>\$ 18,050</u> |
| Net income (loss) per share: | | | | | |
| Basic | <u>\$ 0.23</u> | <u>\$ 0.25</u> | <u>\$ (0.21)</u> | <u>\$ 0.27</u> | <u>\$ 0.51</u> |
| Diluted | <u>\$ 0.22</u> | <u>\$ 0.24</u> | <u>\$ (0.21)</u> | <u>\$ 0.27</u> | <u>\$ 0.51</u> |
| Weighted average shares outstanding used to compute net income (loss) per share: | | | | | |
| Basic | <u>34,657</u> | <u>34,523</u> | <u>34,780</u> | <u>34,485</u> | <u>35,212</u> |
| Diluted | <u>35,271</u> | <u>34,948</u> | <u>34,780</u> | <u>34,848</u> | <u>35,619</u> |
| Stock-based compensation expense was allocated as follows: | | | | | |
| Cost of revenue | \$ 240 | \$ 239 | \$ 207 | \$ 959 | \$ 864 |
| Research and development | 468 | 473 | 719 | 1,973 | 3,218 |
| Sales and marketing | 1,050 | 1,015 | 842 | 4,147 | 3,406 |
| General and administrative | 973 | 954 | 885 | 3,945 | 3,835 |

NETGEAR, INC.

NON-GAAP CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Excluding in-process research and development and technology license arrangements, amortization of purchased intangibles, impairment of long-lived assets, stock-based compensation, restructuring, acquisition related compensation, and litigation reserves, net of tax.

(In thousands, except per share data)

(Unaudited)

| | Three months ended | | | Year ended | |
|--|----------------------|-----------------------|----------------------|----------------------|----------------------|
| | December 31, 2009 | September 27, 2009 | December 31, 2008 | December 31, 2009 | December 31, 2008 |
| Net revenue | \$ 218,832 | \$ 171,071 | \$ 161,359 | \$ 686,595 | \$ 743,344 |
| Cost of revenue | 150,875 | 113,834 | 110,978 | 474,223 | 496,199 |
| Gross profit | <u>67,957</u> | <u>57,237</u> | <u>50,381</u> | <u>212,372</u> | <u>247,145</u> |
| Operating expenses: | | | | | |
| Research and development | 7,273 | 6,880 | 7,365 | 27,970 | 29,768 |
| Sales and marketing | 29,036 | 24,695 | 26,405 | 102,015 | 118,281 |
| General and administrative | 7,160 | 7,548 | 7,610 | 28,782 | 27,898 |
| Total operating expenses | <u>43,469</u> | <u>39,123</u> | <u>41,380</u> | <u>158,767</u> | <u>175,947</u> |
| Income from operations | 24,488 | 18,114 | 9,001 | 53,605 | 71,198 |
| Interest income | 81 | 66 | 808 | 629 | 4,336 |
| Other expense, net | (466) | (266) | (6,560) | (128) | (8,384) |
| Income before income taxes | 24,103 | 17,914 | 3,249 | 54,106 | 67,150 |
| Provision for income taxes | 12,281 | 6,946 | 5,756 | 30,423 | 34,138 |
| Net income (loss) | <u>\$ 11,822</u> | <u>\$ 10,968</u> | <u>\$ (2,507)</u> | <u>\$ 23,683</u> | <u>\$ 33,012</u> |
| Net income (loss) per share: | | | | | |
| Basic | <u>\$ 0.34</u> | <u>\$ 0.32</u> | <u>\$ (0.07)</u> | <u>\$ 0.69</u> | <u>\$ 0.94</u> |
| Diluted | <u>\$ 0.34</u> | <u>\$ 0.31</u> | <u>\$ (0.07)</u> | <u>\$ 0.68</u> | <u>\$ 0.93</u> |
| Weighted average shares outstanding used to compute net income (loss) per share: | | | | | |
| Basic | <u>34,657</u> | <u>34,523</u> | <u>34,780</u> | <u>34,485</u> | <u>35,212</u> |
| Diluted | <u>35,271</u> | <u>34,948</u> | <u>34,780</u> | <u>34,848</u> | <u>35,619</u> |

NETGEAR, INC.
RECONCILIATIONS OF GAAP MEASURES TO NON-GAAP MEASURES

(In thousands, except per share data)

(Unaudited)

STATEMENT OF OPERATIONS DATA:

| | Three months ended | | | Year ended | |
|---|----------------------|-----------------------|----------------------|----------------------|----------------------|
| | December 31, 2009 | September 27, 2009 | December 31, 2008 | December 31, 2009 | December 31, 2008 |
| GAAP gross profit | \$ 66,464 | \$ 55,745 | \$ 48,459 | \$ 206,400 | \$ 241,024 |
| Amortization of intangible assets | 1,253 | 1,253 | 1,108 | 5,013 | 4,650 |
| Stock-based compensation expense | 240 | 239 | 207 | 959 | 864 |
| Impairment of long-lived assets | - | - | 607 | - | 607 |
| Non-GAAP gross profit | <u>\$ 67,957</u> | <u>\$ 57,237</u> | <u>\$ 50,381</u> | <u>\$ 212,372</u> | <u>\$ 247,145</u> |
| <i>Non-GAAP gross margin</i> | <i>31.1%</i> | <i>33.5%</i> | <i>31.2%</i> | <i>30.9%</i> | <i>33.2%</i> |
| GAAP research and development | \$ 7,854 | \$ 7,353 | \$ 8,184 | \$ 30,056 | \$ 33,773 |
| Stock-based compensation expense | (468) | (473) | (719) | (1,973) | (3,218) |
| Acquisition related compensation | (113) | - | (100) | (113) | (787) |
| Non-GAAP research and development | <u>\$ 7,273</u> | <u>\$ 6,880</u> | <u>\$ 7,365</u> | <u>\$ 27,970</u> | <u>\$ 29,768</u> |
| GAAP sales and marketing | \$ 30,086 | \$ 25,710 | \$ 27,247 | \$ 106,162 | \$ 121,687 |
| Stock-based compensation expense | (1,050) | (1,015) | (842) | (4,147) | (3,406) |
| Non-GAAP sales and marketing | <u>\$ 29,036</u> | <u>\$ 24,695</u> | <u>\$ 26,405</u> | <u>\$ 102,015</u> | <u>\$ 118,281</u> |
| GAAP general and administrative | \$ 8,133 | \$ 8,502 | \$ 8,495 | \$ 32,727 | \$ 31,733 |
| Stock-based compensation expense | (973) | (954) | (885) | (3,945) | (3,835) |
| Non-GAAP general and administrative | <u>\$ 7,160</u> | <u>\$ 7,548</u> | <u>\$ 7,610</u> | <u>\$ 28,782</u> | <u>\$ 27,898</u> |
| GAAP total operating expenses | \$ 48,604 | \$ 41,189 | \$ 47,266 | \$ 174,334 | \$ 191,633 |
| Stock-based compensation expense | (2,491) | (2,442) | (2,446) | (10,065) | (10,459) |
| Restructuring | (11) | (104) | (965) | (809) | (1,929) |
| In-process research and development and technology license arrangements | (2,500) | - | (1,800) | (2,500) | (1,800) |
| Acquisition related compensation | (113) | - | (100) | (113) | (787) |
| Litigation reserves | (20) | 480 | (575) | (2,080) | (711) |
| Non-GAAP total operating expenses | <u>\$ 43,469</u> | <u>\$ 39,123</u> | <u>\$ 41,380</u> | <u>\$ 158,767</u> | <u>\$ 175,947</u> |

NETGEAR, INC.
RECONCILIATIONS OF GAAP MEASURES TO NON-GAAP MEASURES (CONTINUED)

(In thousands, except per share data)
(Unaudited)

STATEMENT OF OPERATIONS DATA (CONTINUED):

| | Three months ended | | | Year ended | |
|---|----------------------|-----------------------|----------------------|----------------------|----------------------|
| | December 31, 2009 | September 27, 2009 | December 31, 2008 | December 31, 2009 | December 31, 2008 |
| GAAP operating income | \$ 17,860 | \$ 14,556 | \$ 1,193 | \$ 32,066 | \$ 49,391 |
| Amortization of intangible assets | 1,253 | 1,253 | 1,108 | 5,013 | 4,650 |
| Stock-based compensation expense | 2,731 | 2,681 | 2,653 | 11,024 | 11,323 |
| Impairment of long-lived assets | - | - | 607 | - | 607 |
| Restructuring | 11 | 104 | 965 | 809 | 1,929 |
| In-process research and development and technology license arrangements | 2,500 | - | 1,800 | 2,500 | 1,800 |
| Acquisition related compensation | 113 | - | 100 | 113 | 787 |
| Litigation reserves | 20 | (480) | 575 | 2,080 | 711 |
| Non-GAAP operating income | <u>\$ 24,488</u> | <u>\$ 18,114</u> | <u>\$ 9,001</u> | <u>\$ 53,605</u> | <u>\$ 71,198</u> |
| Non-GAAP operating margin | 11.2% | 10.6% | 5.6% | 7.8% | 9.6% |
| GAAP net income (loss) | \$ 7,853 | \$ 8,530 | \$ (7,343) | \$ 9,333 | \$ 18,050 |
| Amortization of intangible assets | 1,253 | 1,253 | 1,108 | 5,013 | 4,650 |
| Stock-based compensation expense | 2,731 | 2,681 | 2,653 | 11,024 | 11,323 |
| Impairment of long-lived assets | - | - | 607 | - | 607 |
| Restructuring | 11 | 104 | 965 | 809 | 1,929 |
| In-process research and development and technology license arrangements | 2,500 | - | 1,800 | 2,500 | 1,800 |
| Acquisition related compensation | 113 | - | 100 | 113 | 787 |
| Litigation reserves | 20 | (480) | 575 | 2,080 | 711 |
| Tax effect | (2,659) | (1,120) | (2,972) | (7,189) | (6,845) |
| Non-GAAP net income (loss) | <u>\$ 11,822</u> | <u>\$ 10,968</u> | <u>\$ (2,507)</u> | <u>\$ 23,683</u> | <u>\$ 33,012</u> |

NET INCOME (LOSS) PER DILUTED SHARE:

| | Three months ended | | | Year ended | |
|---|----------------------|-----------------------|----------------------|----------------------|----------------------|
| | December 31, 2009 | September 27, 2009 | December 31, 2008 | December 31, 2009 | December 31, 2008 |
| GAAP net income (loss) per diluted share | \$ 0.22 | \$ 0.24 | \$ (0.21) | \$ 0.27 | \$ 0.51 |
| Amortization of intangible assets | 0.04 | 0.04 | 0.03 | 0.14 | 0.13 |
| Stock-based compensation expense | 0.08 | 0.08 | 0.08 | 0.32 | 0.32 |
| Impairment of long-lived assets | - | - | 0.02 | - | 0.02 |
| Restructuring | 0.00 | 0.00 | 0.03 | 0.02 | 0.05 |
| In-process research and development and technology license arrangements | 0.07 | - | 0.05 | 0.07 | 0.05 |
| Acquisition related compensation | 0.00 | - | 0.00 | 0.00 | 0.02 |
| Litigation reserves | 0.00 | (0.01) | 0.02 | 0.06 | 0.02 |
| Tax effect | (0.07) | (0.04) | (0.09) | (0.20) | (0.19) |
| Non-GAAP net income (loss) per diluted share | <u>\$ 0.34</u> | <u>\$ 0.31</u> | <u>\$ (0.07)</u> | <u>\$ 0.68</u> | <u>\$ 0.93</u> |

NETGEAR, INC.
SUPPLEMENTAL FINANCIAL INFORMATION

(In thousands, except per share data)

(Unaudited)

| | Three months ended | | | | |
|---|----------------------|-----------------------|------------------|-------------------|----------------------|
| | December 31, 2009 | September 27, 2009 | June 28, 2009 | March 29, 2009 | December 31, 2008 |
| Cash, cash equivalents and short-term investments | \$ 247,100 | \$ 234,540 | \$ 224,496 | \$ 200,298 | \$ 203,009 |
| Cash, cash equivalents and short-term investments per diluted share | \$ 7.01 | \$ 6.71 | \$ 6.53 | \$ 5.79 | \$ 5.84 |
| Accounts receivable, net | \$ 162,853 | \$ 123,529 | \$ 110,231 | \$ 127,984 | \$ 138,275 |
| Days sales outstanding (DSO) | 71 | 66 | 69 | 74 | 81 |
| Inventories | \$ 90,590 | \$ 73,858 | \$ 75,039 | \$ 92,023 | \$ 112,240 |
| Ending inventory turns | 6.7 | 6.2 | 5.5 | 4.7 | 4.0 |
| Weeks of channel inventory: | | | | | |
| U.S. retail channel | 6.9 | 10.0 | 12.6 | 10.0 | 9.6 |
| U.S. distribution channel | 4.4 | 5.2 | 3.8 | 5.4 | 5.2 |
| EMEA distribution channel | 3.4 | 4.3 | 5.0 | 5.6 | 5.7 |
| APAC distribution channel | 3.8 | 5.0 | 4.8 | 5.7 | 6.7 |
| Deferred revenue | \$ 22,106 | \$ 11,355 | \$ 15,267 | \$ 19,375 | \$ 21,508 |
| Headcount | 586 | 574 | 567 | 568 | 579 |
| Non-GAAP Diluted shares | 35,271 | 34,948 | 34,399 | 34,602 | 34,780 |