

News Release



**NETGEAR® REPORTS THIRD QUARTER 2008 RESULTS AND ANNOUNCES SHARE
REPURCHASE PROGRAM**

Highlights:

- Net revenue of \$179.4 million, as compared to \$191.7 million in the comparable prior year quarter
- Non-GAAP net income of \$6.9 million, as compared to \$16.0 million in the comparable prior year quarter
- Non-GAAP diluted earnings per share of \$0.19, as compared to \$0.44 in the prior year quarter
- Expect fourth quarter 2008 net revenue to be in the range of \$155 million to \$165 million, with non-GAAP operating margin in the range of 9.5% to 10.5%
- Board authorizes repurchase of up to 6,000,000 shares

SAN JOSE, California—October 23, 2008—NETGEAR, Inc. (NASDAQGM: NTGR), a worldwide provider of technologically advanced, branded networking products, today reported financial results for the third quarter ended September 28, 2008.

Net revenue for the third quarter ended September 28, 2008 was \$179.4 million, a 6% decrease as compared to \$191.7 million for the third quarter ended September 30, 2007, and a 12% decrease as compared to \$204.5 million in the second quarter ended June 29, 2008. Net income for the third quarter of 2008 computed in accordance with GAAP was \$3.1 million, or \$0.09 per diluted share. This compared to net income of \$13.3 million for the third quarter of 2007 and to net income of \$11.1 million in the second quarter of 2008. Diluted earnings per share, computed in accordance with GAAP, was \$0.37 for the third quarter of 2007 and \$0.31 for the second quarter of 2008.

Gross margin on a non-GAAP basis in the third quarter of 2008 was 35.5%, as compared to 34.0% in the year ago comparable quarter, and 33.2% in the second quarter of 2008. Non-GAAP operating margin was 11.1% in the third quarter of 2008, as compared to 11.7% in the third quarter of 2007, and 11.5% in the second quarter of 2008. In the third quarter of 2008, non-GAAP operating expenses were 24.4% of net revenue, as compared to 22.3% in the year ago comparable quarter, and 21.7% in the prior quarter.

Net income on a non-GAAP basis for the third quarter of 2008 was \$6.9 million, as compared to non-GAAP net income of \$16.0 million for the third quarter of 2007, and non-GAAP net income of \$14.5 million for the second quarter of 2008. Non-GAAP net income was \$0.19 per diluted share in the third quarter of 2008, as compared to \$0.44 per diluted share in the third quarter of 2007 and \$0.41 per diluted share in the second quarter of 2008. Non-GAAP net income for the third quarter of 2008 excludes \$775,000 of adjustments related to amortization of purchased intangibles and acquisition related retention compensation, net of taxes, related to our recent acquisitions. Non-GAAP net income for the third quarter of 2008 also excludes non-cash, stock-based compensation, net of tax, of \$2.4 million, restructuring costs related to vacating certain facilities, net of tax, of \$592,000 and \$52,000 in litigation reserve requirements, net of tax. Non-GAAP net income for the third quarter of 2007 excludes \$811,000 of adjustments related to amortization of purchased intangibles and acquisition related retention compensation, net of taxes. Non-GAAP net income for the third quarter of 2007 also excludes non-cash, stock-based compensation, net of tax, of \$1.8 million and \$124,000 in litigation reserves, net of tax. Non-GAAP net income for the second quarter of 2008 excludes \$1.1 million of adjustments related to amortization of purchased intangibles and acquisition related retention compensation, net of taxes. Non-GAAP net income for the second quarter of 2008 also excludes non-cash, stock-based compensation, net of tax, of \$2.4 million. The accompanying schedules provide a reconciliation of net income computed on a GAAP basis to net income computed on a non-GAAP basis.

Patrick Lo, Chairman and Chief Executive Officer of NETGEAR, commented, "The September quarter showed weakness in demand for our consumer products across both retail and service provider channels in all geographies, resulting in a quarter-over-quarter and year-over-year decline in consumer product shipments. We believe the weakness in the global economy and tight credit markets worldwide are causing softness in end-user demand. As a result of the current environment, we expect subdued spending conditions to persist over the next few quarters until consumer confidence returns to the market. SMB (small and medium-sized business) demand is holding well with continuous momentum. The impact of current economic conditions on our operating margin was offset by continued successful product and operating cost reductions, healthy sales of ReadyNAS[®] and Smart Switches and the reduction in air freight cost requirements as a result of increased on hand and available inventory. In the third quarter, our service provider net revenue was approximately \$31.4 million, about 18% of our total net revenue, as compared to 22% in the year ago quarter, and 27% in the second quarter of 2008.

Mr. Lo continued, "In late September, we were pleased to enter the high growth SMB security appliance market with the signing of a definitive agreement to purchase certain assets of CP Secure, a leading provider of integrated security solutions that protect organizations and businesses from Internet originated web and e-mail based malware threats. With this acquisition, we can further strengthen our share in this market by ensuring that our SMB clients are provided an integrated solution to safeguard their networks from Internet threats and improve their overall business continuity.

On the new product front, during the third quarter, we introduced 14 new products, including 3 new models of our super fast 6 Bay ReadyNAS Pro, which has enjoyed strong reception worldwide. In addition, we've been pleased to bring our new energy-efficient, high-performance Wireless-N Router and Wireless-N DSL Modem Router to the marketplace, enabling the simultaneous use of applications such as Voice-Over-IP, video and multimedia streaming, console gaming, and Web surfing. Looking ahead into Q4, we anticipate launching 12 to 15 new products, which will be ready for the Consumer Electronics Show in January 2009, further positioning us for future revenue growth and market share gain."

Christine Gorjanc, Chief Financial Officer of NETGEAR, said, "We were negatively impacted in Q3 by lower than expected revenue and the strengthening of the US dollar. During the quarter, the value of the US dollar rose rapidly against the Australian dollar, British pound and the Euro. As a result of the remeasurement of our foreign currency net assets, we suffered a currency loss of \$4.7 million. Also, our effective tax rate increased to 57.7%, on a non-GAAP basis, due to lower than expected international profit. We ended the third quarter of 2008 with net inventory at \$125.7 million, compared to \$106.4 million at the end of the second quarter of 2008, and \$79.3 million at the end of the third quarter of 2007. Ending inventory turns were 3.7, compared to 5.2 at the end of the second quarter of 2008, and 6.5 at the end of the third quarter of 2007. Days sales outstanding (DSO) were 76 in the third quarter of 2008, compared to 71 days in the second quarter of 2008 and 66 days in the third quarter of 2007. Cash, cash equivalents and short-term investments were \$202.2 million at the end of the third quarter of 2008, compared to \$186.8 million at the end of the second quarter of 2008, and \$177.2 million at the end of the third quarter of 2007. Deferred revenue increased to \$13.3 million at the end of the third quarter of 2008, compared to deferred revenue of \$4.3 million at the end of the second quarter of 2008, and \$7.8 million at the end of the third quarter of 2007."

U.S. retail channel inventory ended the third quarter of 2008 at 11.4 weeks, compared to 8.8 weeks in the third quarter of 2007, and 13.6 weeks in the second quarter of 2008. U.S. distribution channel inventory ended the third quarter of 2008 at 5.5 weeks, compared to 4.2 weeks in the third quarter of 2007, and 5.1 weeks in the second quarter of 2008. European distribution channel inventory ended the third quarter of 2008 at approximately 5.1 weeks, compared to approximately 4.9 weeks in the third quarter of 2007, and 6.0 weeks in the second quarter of 2008. Asia Pacific distribution channel inventory ended the third quarter of 2008 at approximately 7.2 weeks, compared to approximately 4.7 weeks in the third quarter of 2007, and 6.0 weeks in the second quarter of 2008.

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					
	September 28, 2008		September 30, 2007		June 29, 2008	
North America	\$ 73,693	41%	\$ 76,357	40%	\$ 75,900	37%
Europe, Middle-East and Africa	\$ 81,646	46%	\$ 95,549	50%	\$ 97,582	48%
Asia Pacific	\$ 24,028	13%	\$ 19,775	10%	\$ 30,982	15%
	\$ 179,367	100%	\$ 191,681	100%	\$204,464	100%

Additionally, the company announced that its board of directors has authorized a program to repurchase up to 6,000,000 shares of the company's common stock, or approximately 16.9% of the outstanding shares. "We believe the company's stock represents an attractive investment opportunity at current market prices," said Mr. Lo. "The Board's approval of the share repurchase program reflects its confidence in the long term future of NETGEAR's business and its ongoing commitment to increase shareholder value."

The stock repurchase authorization does not have an expiration date and the pace of repurchase activity will depend on factors such as levels of cash generation from operations, cash requirements for acquisitions, current stock price, and other factors. Under the program, NETGEAR may repurchase shares from time to time on the open market. The company will finance the repurchase program with available cash on hand. The stock repurchase program may be modified or discontinued at any time.

Looking forward, Mr. Lo added, "The weakness in consumer demand and the global economic environment will continue to test growth in the coming quarters. Despite such market challenges, we firmly believe our success in SMB will bolster us well amidst weaker demand for our consumer products. We are excited about the impending closing of the asset acquisition of CP Secure, providing us with differentiated technology in the form of our new ProSecure™ line of security appliances for SMB. We will continue to drive innovation in the SMB market with our Smart Switches, ReadyNAS and soon to be launched ProSecure line of products. For the fourth quarter of 2008, we expect lower than normal consumer demand due to the current economic conditions. Specifically, we expect fourth quarter net revenue to be approximately \$155 million to \$165 million. We expect non-GAAP operating margin to be in the range of 9.5% to 10.5%."

Investor Conference Call / Webcast Details

NETGEAR will review the third quarter 2008 results and discuss management's expectations for the fourth quarter of 2008 today, Thursday, October 23, 2008 at 5 p.m. EDT (2 p.m. PDT). 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 EDT (9 p.m. PDT) on Thursday, October 30, 2008 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 299835.

About NETGEAR, Inc.

NETGEAR (NASDAQGM: NTGR) designs innovative, branded technology solutions for networking, storage, and security that address the specific needs of small and medium-sized business 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 29,000 retail locations around the globe, and via more than 41,000 value-added resellers. The company's headquarters are in San Jose, California, with additional offices in 19 countries. NETGEAR is an ENERGY STAR® partner. More information is available by visiting www.netgear.com or calling (408) 907-8000.

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Contact:

Joseph Villalta
The Ruth Group
(646) 536-7003
jvillalta@theruthgroup.com

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, operating income and tax rate on both a GAAP and non-GAAP basis, the effect of the global economic environment on the company’s business, the possibility that NETGEAR may repurchase its shares under the repurchase program, the belief that the company’s stock represents an attractive investment opportunity at current market prices, the long term future of NETGEAR’s business, our continued success in the SMB market, our ability to innovate, anticipated new product offerings, current and future demand for the Company’s existing and anticipated new products, willingness of consumers to purchase and use the Company’s products, and ability to increase distribution and market share for the Company’s products domestically and worldwide. 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; 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. 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 28 through 39, in the Company’s Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2008, filed with the Securities and Exchange Commission on August 8, 2008. 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 measures of operating results, net income and income per share, which are adjusted to exclude certain expenses and tax benefits we believe 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 net income or diluted net income per share prepared in accordance with generally accepted accounting principles in the United States.