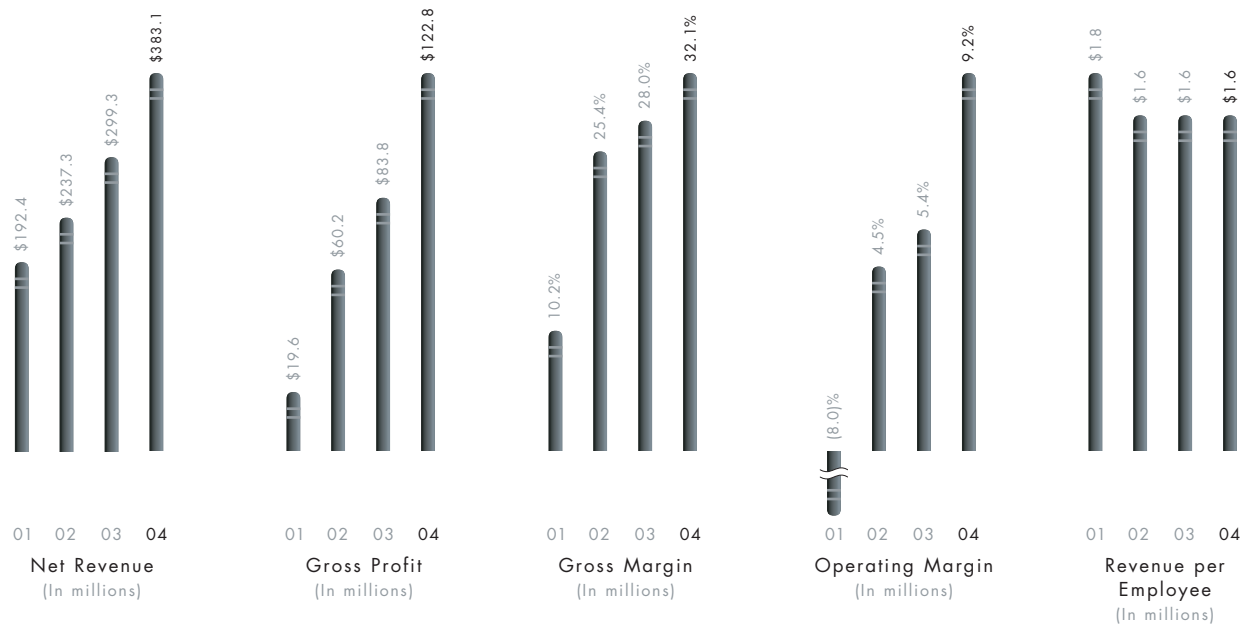




**NETGEAR**<sup>®</sup>  
Everybody's connecting.<sup>®</sup>



## A Letter from Patrick



2004 was another great year for NETGEAR, as our strategy of driving the consumer and small-to-medium business networking markets by delivering first to market innovations, increasing brand recognition, and broadening channel presence worldwide drove our business to new financial and operating levels.

During the year, NETGEAR continued to deliver financial results that reflect leadership in our markets, with revenue growing to \$383.1 million, up 28% from 2003. We continued to deliver aggressive margin expansion with gross margins increasing to 32.1% from 28.0% and operating margin

growing to 9.2% from 5.4% year on year. By the end of 2004, the company's cash on hand, including cash, cash equivalents, and short-term investments, increased to \$141.7 million, up from \$73.6 million in 2003.

From an operating perspective, we continued to leverage our highly productive operating model. In 2004 NETGEAR debuted on the Network World 200 as tops in the industry for efficiency with \$1.6 million in revenue per employee. More importantly, NETGEAR made significant gains in the effectiveness of its operating model with operating margin per employee increasing to \$149,000 during the year vs. \$84,000 in 2003, putting the company on track to be one of the most productive companies in the industry.

On the product front NETGEAR consistently innovated ahead of the competition, delivering 48 new products during the year, or almost one new product a week. New products introduced to consumers were led by sales of NETGEAR's expanded Super G™ wireless router and adapters family, which offered wireless speeds and distances better than the competition. In Europe, the company led the industry with the first DSL 2+ Super G gateway. 2004 was also the year that NETGEAR introduced its first VoIP products and digital video player, positioning the company in these important emerging categories. For business customers, the NETGEAR ProSafe™ line of small and medium business products benefited greatly from rapidly expanding sales of our smart switches along with the growth of our business wireless and security product lines.

The NETGEAR brand continued to be recognized for high quality in 2004. Most notably, PC World magazine's readers again ranked NETGEAR as being the #1 networking vendor in service and reliability, the only company to achieve back-to-back recognition in the industry. NETGEAR also further strengthened its brand position in the market during the year, with leading market share gains in the fastest growing product categories. Analyst reports show that NETGEAR experienced the highest market share growth worldwide in SOHO/Home wireless networking during the year and moved into second

place overall in wireless revenue. NETGEAR also extended its worldwide leadership position in Gigabit switching growing its first place position in the industry for two consecutive years. Importantly, NETGEAR continued its market share dominance in Europe and Australia, and deepened efforts in emerging markets, including China.

One of our goals for 2004 was to further strengthen our worldwide channel presence, with significant growth in the telecommunications service provider channel. We achieved this as carrier sales worldwide increased from 5% of total sales in the first quarter of 2004 to 9% of total sales in the fourth quarter of 2004. NETGEAR developed new partnerships with carriers around the world, including Tiscalli in Germany, AOL in the UK, Charter Communications in the US, and PCCW in Asia.

Looking forward, we are excited by the numerous innovations for 2005, which we expect to be revenue and profit drivers for NETGEAR. With our new Smart MIMO wireless products incorporating RangeMax™ technology, we expect to improve wireless speeds and coverage significantly. In addition, we intend to showcase the latest advances in digital entertainment networking with shareable and secure storage solutions through our new Storage Central product line. Through NETGEAR's ProSafe line of business-class solutions, we plan to deliver further innovations for small and medium business in the areas of business wireless, security, switching, and software solutions.

Overall, consumer excitement for wireless products is escalating rapidly. New applications in digital entertainment and music are opening the eyes of new segments of consumers to the power of wireless connectivity and the need for secure, sharing solutions. Small and medium business adoption is expanding as high-performance, enterprise-class capabilities become even more affordable and reliable enough for businesses of any size to deploy. NETGEAR has always been known as a leading innovator—we remain true to that philosophy today and are strongly positioned to deliver the right products for the right markets at the right time.

As NETGEAR approaches its 10<sup>th</sup> year in business, we are excited to have an even greater opportunity to deliver superior value to customers and shareholders alike. We thank everyone for your continued support and belief in our vision.

Patrick C.S. Lo  
Chairman and  
Chief Executive Officer

## Officers

Patrick C.S. Lo  
Chairman and  
Chief Executive Officer

Jonathan R. Mather  
Executive Vice President  
and Chief Financial Officer

Mark G. Merrill  
Chief Technology Officer

Michael F. Falcon  
Vice President,  
Operations

Albert Y. Liu  
General Counsel  
and Secretary

Ian McLean  
Vice President,  
Asia Pacific Sales

Charles T. Olson  
Vice President,  
Engineering

David Soares  
Senior Vice President,  
Worldwide Sales and Support

Michael A. Werdann  
Vice President,  
Americas Sales

## Directors

Patrick C.S. Lo  
Chairman of the Board  
and Chief Executive Officer

Ralph E. Faison<sup>(1)</sup>

A. Timothy Godwin<sup>(2,3)</sup>

Linwood A. Lacy, Jr.<sup>(2,3)</sup>

Gerald A. Poch<sup>(1,3)</sup>

Gregory J. Rossmann<sup>(1)</sup>

Stephen D. Royer<sup>(2)</sup>

<sup>1</sup> Compensation Committee

<sup>2</sup> Audit Committee

<sup>3</sup> Nominating and Corporate  
Governance Committee

## Corporate Information

### CORPORATE HEADQUARTERS

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#### EUROPE, MIDDLE EAST

##### AND AFRICA

France  
Germany  
Italy  
Netherlands  
Spain  
Sweden  
United Kingdom

#### ASIA PACIFIC

Australia  
China  
Hong Kong  
India  
Japan  
Korea  
Singapore  
Taiwan

## Investor Information

### TRANSFER AGENT AND REGISTRAR

Mellon Investor Services LLC  
85 Challenger Road  
Ridgefield Park, NJ 07660

### ANNUAL MEETING

The annual meeting of shareholders is scheduled for 10:00 a.m. local time, Wednesday May 18, 2005 at 4500 Great America Parkway, Santa Clara, California, 95054

### STOCK LISTING

The company's common stock trades on the Nasdaq National Market under the symbol NTGR

### INVESTOR INQUIRIES

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### INDEPENDENT AUDITORS

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San Jose, California

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*Design and Photography: Weymouth Design, San Francisco*

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Various matters set forth in these materials, such as statements relating to the expected performance characteristics, specifications, market acceptance, market growth, specific uses and market position of NETGEAR, Inc. and its products and technology are 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, and other risks detailed from time-to-time in NETGEAR'S SEC filings and reports.



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