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COPY

NETGEAR UK LIMITED

Report and Financial Statements
Financial Year Ended 31 December 2014

CONTENTS

DIRECTORS AND OTHER INFORMATION

Board of Directors at 17 September 2015

Patrick Lo (American)
Andrew Kim (American)

Solicitors

Baker & McKenzie LLP
100 New Bridge Street
London EC4V 6JA

Secretary and Registered Office

Andrew Kim
Netgear UK Limited
Reflex Cain Road
Berkshire
United Kingdom RG12 1HL

Bankers

HSBC Bank Plc
8 Canada Square
London E14 5HQ

Registered Number: 06344745

Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
No 1 South Mall
Cork
Republic of Ireland

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2014.

Review of the business
The company provides sales and marketing services for the group's products and services. The income of the entity is earned from other group entities through whom it has been engaged to market and promote the NETGEAR brand within the UK territory. The company's income in the year-ended 31 December 2014 was £8,429,603 (2013: £11,245,037). This represents a decrease of 25% arising from a decrease in activity with group entities.

Net operating expenses amounted to £6,974,654 (2013: £9,874,513), decreasing greater than the fall in revenue due to cost control measures implemented in 2014.

Operating profit amounted to £1,454,949 (2013: £1,370,524), the increase primarily relating to the above-mentioned cost control measures.

The company's profit before tax amounted to £1,464,678 (2013: £1,370,366).

The company had net assets at 31 December 2014 of £5,358,397 (2013: £4,034,387) with the increase being due to the income earned in the year.

The directors are satisfied with the level of business and the year-end financial position and look forward to satisfactory future results.

Principal risks and uncertainties
Due to the nature of the Company's business arrangements, the directors believe that risk attributable to foreign exchange; interest rates, credit and cash flow are low. The ultimate parent company, NETGEAR Inc, has appropriate risk management programmes in place to manage any such risk that may arise.

On behalf of the Board

Andrew Kim
Director and secretary

17 September 2015

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On behalf of the Board

Andrew Kim
Director and secretary

DIRECTORS' REPORT

The directors present herewith their report and audited financial statements of the company for the year ended 31 December 2014.

Principal activity
The principal activity of the company is to advertise, promote and support NETGEAR's consumer electronics, computer and networking products & peripherals.

Profits, dividends and reserves	£
Profit for the financial year	1,128,120

The directors recommend that this amount be retained in the profit and loss account. The company did not pay or declare dividends for the year ended 31 December 2014.

Going concern
The directors, after making enquiries, have a reasonable expectation, that the company has adequate resources to continue operating for the foreseeable future. This reflects their assumptions about the company's trading prospects for the future. For this reason the going concern basis continues to be adopted in preparing the financial statements.

Financial risk management
The company does not have trade sales and hence credit risk. The company does not have a significant amount of purchases outside the sterling area and does not enter into foreign currency contracts and hence is not exposed to significant foreign exchange risk. Also interest income is not significant and hence there is no exposure to interest rate risk.

Directors
The names of the persons who are currently and were directors for the entire year ended 31 December 2014 were as follows:

Patrick Lo
Andrew Kim

Directors' responsibilities statement
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act, 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT - continued

Statement of disclosure of information to auditors

So far as each of the directors in office at the date of approval of these financial statements are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Post balance sheet events

There were no significant events affecting the company since the year-end.

Political and charitable donations

No donations for charitable or political purposes were made during the year.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and the resolution concerning their appointment will be proposed at the Annual General Meeting..

On behalf of the Board

Andrew Kim
Director and secretary

17 September 2015

DIRECTORS' REPORT - continued

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On behalf of the Board

Andrew Kim
Director and secretary

INDEPENDENT AUDITORS' REPORT: To the members of NETGEAR UK Limited

We have audited the financial statements of NETGEAR UK Limited for the year ended 31 December 2014 on pages 8 to 17 which comprise of the profit and loss account, the balance sheet, and related notes including the accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act, 2006, and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Companies Act, 2006.

Opinion on other matter prescribed by the Companies Act, 2006
In our opinion the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act, 2006, requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Jeremiah Keohane

Jeremiah Keohane (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Cork

23 September 2015

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2014

	Notes	2014 £	2013 £
Turnover	2	8,429,603	11,245,037
Sales and marketing costs	3	(6,974,654)	(9,874,513)
Operating profit	4	1,454,949	1,370,524
Interest receivable		9,729	-
Interest payable		-	(158)
Profit on ordinary activities before taxation		1,464,678	1,370,366
Tax on profit on ordinary activities	6	(336,558)	(360,960)
Profit for the financial year		1,128,120	1,009,406

Movements in the profit and loss account are set out in note 11 on page 14.

The company's turnover and operating profit for the year are derived from continuing activities. There were no recognised gains and losses other than those recognised in the profit and loss account.

The notes on pages 10 to 17 form part of these financial statements.

BALANCE SHEET
31 December 2014

	Notes	2014 £	2013 £
Fixed assets			
Tangible assets	7	135,179	173,979
Current assets			
Debtors	8	6,014,408	4,606,307
Cash at bank and in hand		440,244	1,494,486
		6,454,652	6,100,793
Creditors - Amounts falling due within one year	9	(1,231,434)	(2,240,385)
Net current assets		5,223,218	3,860,408
Net assets		5,358,397	4,034,387
Capital and reserves			
Called up share capital	10	1	1
Share based payment reserve	14	1,590,800	1,394,910
Profit and loss account	11	3,767,596	2,639,476
Shareholders' funds	12	5,358,397	4,034,387

The notes on pages 10 to 17 form part of these financial statements.

The financial statements on pages 8 to 17 were approved by the board of directors on 17 September 2015 and signed on its behalf by:

Andrew Kim
Director and secretary

NETGEAR UK Limited

Registered No: 06344745

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Andrew Kim
Director and secretary

NETGEAR UK Limited

Registered No: 06344745

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The significant accounting policies, which have been applied consistently, are set out below.

Basis of accounting
The financial statements have been prepared under the historical cost convention in pounds sterling and in accordance with accounting standards generally accepted in the United Kingdom and the Companies Act, 2006. Accounting standards generally accepted in the United Kingdom, in preparing financial statements giving a true and fair view, are those issued by the Financial Reporting Council.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash flow
The company is a wholly owned subsidiary of NETGEAR Inc. and the cash flows of the company are included in the consolidated group cash flow statement of NETGEAR Inc. Consequently, the company is exempt under the terms of FRS 1 (Revised), 'Cash flow statements', from publishing a cash flow statement.

Tangible assets
Tangible assets are stated at cost less accumulated depreciation. The cost of tangible assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	Rate per annum
Machinery and equipment	33⅓ - 50%
Leasehold improvements	33⅓%
Application software	50%
Fixtures and fittings	33⅓%

Operating leases
Costs in respect of operating leases are charged on a straight line basis over the lease term.

Foreign currencies
Trading transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the transaction date. Monetary assets and liabilities are translated into sterling at the exchange rate ruling at the balance sheet date except where contractual commitments determine otherwise. Exchange gains or losses are recognised in the period in which they arise and are included in operating profit.

Turnover
Turnover, which excludes value added tax and trade discounts, represents the invoiced value of services provided to fellow group undertakings on a cost plus percentage basis under a service agreement.

Deferred taxation
Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities have not been discounted.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Accounting policies - continued

Pension scheme arrangements
The company operates a defined contribution pension scheme for its employees, which is contributory, externally funded and contracted out of the state scheme. Payments made to the fund are charged annually in these accounts as part of employment costs and comprise current service contributions.

Share-based payments
For equity-settled share-based payment transactions (i.e., the granting of share options), the company measures the services received and the corresponding increase in equity at fair value at the measurement date (which is the grant date) using a recognised valuation methodology for the pricing of financial instruments (Black-Scholes Model). Given that the share options granted do not vest until the completion of a specified period of service and are subject to the realisation of certain performance conditions, the fair value is determined on the basis that the services to be rendered by employees as consideration for the granting of share options will be received over the vesting period, which is assessed as at the date of grant.

The share options granted by the company are subject to certain market based vesting conditions as defined in FRS 20. Non-market vesting conditions are not taken into account when estimating the fair value of share options as at the date of grant, such conditions are taken into account through adjusting the number of equity instruments included in the measurement of the transaction so that, ultimately, the amount recognised equates to the number of equity instruments that actually vest. The expense in the income statement in relation to share options represents the product of the total number of options expected to vest and the fair value of those options; the resulting amount is allocated to accounting periods over the vesting period. Given that the performance conditions underlying the company's share options are non-market in nature, the cumulative charge to the income statement is reversed only when the performance condition is not met or where an employee in receipt of share options relinquishes service prior to completion of the expected vesting period. The company does not operate any cash-settled share-based payment schemes or share-based payment transactions with cash alternatives as defined in FRS 20.

2 Turnover

Turnover relates entirely to the company's principal activity of advertising, promoting and supporting NETGEAR's consumer electronics, computers and networking products and peripherals in Europe.

3 Operating expenses

	2014	2013
	£	£
Sales and marketing costs	6,974,654	9,874,513

4 Operating profit

	2014	2013
	£	£
Operating profit is stated after charging:		
Staff costs (note 5)	3,220,390	3,211,783
Depreciation charge	49,757	54,671
Auditors' remuneration	6,200	6,000
Directors' remuneration	-	-
Hire of other assets - operating leases	101,544	93,583
Foreign exchange gain	(3,012)	(539)

NOTES TO THE FINANCIAL STATEMENTS - continued

5 Employee information

Staff costs	2014 £	2013 £
Wages and salaries	2,539,953	2,586,943
Social security costs	379,909	362,112
Other pension costs (note 15)	104,638	95,897
Share-based payment expense (note 14)	195,890	166,831
	3,220,390	3,211,783

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2014	2013
Selling and distribution	25	24
Administration	3	4
	28	28

6 Tax on profit on ordinary activities

	2014 £	2013 £
Current tax:		
UK corporation tax on profit of the year	336,558	351,928
Adjustments in respect of prior years	-	9,032
Tax on profit on ordinary activities	336,558	360,960

The company is liable to corporation tax on profits at the standard rate of corporation tax in the UK. With effect from 1 April 2014, the standard rate of corporation tax is 21 per cent giving a weighted average of 21.5 per cent for the company for 2014 (2013: 23.3 per cent). The differences between the current tax charge for the year and the current charge that would result from applying the standard rate of corporation tax to the profit on ordinary activities are explained below:

	2014 £	2013 £
Profit on ordinary activities before tax	1,464,678	1,370,366
Profit on ordinary activities multiplied by standard rate in the UK of 21.5% (2013: 23.3%)	314,906	318,610
Effects of:		
Expenses not deductible for tax purposes	4,401	45,551
Capital allowances in excess of depreciation	5,664	5,562
Share based payment effect	11,473	(17,654)
Other timing differences	114	(141)
Adjustments in respect of prior years	-	9,032
Current tax charge for the year	336,558	360,960

Legislation was enacted as part of the Finance Bill 2013 to further reduce the main rate to 21 per cent from 1 April 2014 and to 20 per cent from 1 April 2015.

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Tangible assets

	Machinery and equipment	Leasehold improvements	Application software	Fixtures and fittings	Total
	£	£	£	£	£
Cost					
At beginning of year	109,892	281,599	16,184	64,905	472,580
Additions	-	10,957	-	-	10,957
At end of year	109,892	292,556	16,184	64,905	483,537
Accumulated depreciation					
At beginning of year	104,792	115,100	16,184	62,525	298,601
Charge for year	4,686	44,477	-	595	49,757
At end of year	109,478	159,577	16,184	63,120	348,358
Net book amount					
At 31 December 2013	5,100	166,499	-	2,380	173,979
Cost	109,892	292,556	16,184	64,905	483,537
Accumulated depreciation	(109,478)	(159,577)	(16,184)	(63,120)	(348,358)
At end of year	414	132,979	-	1,785	135,179

8 Debtors

	2014	2013
	£	£
Amounts due from immediate parent undertaking	5,714,747	4,194,829
Value added tax	96,011	186,029
Other receivables	102,204	49,032
Prepayments and accrued income	101,446	176,417
	6,014,408	4,606,307

Amounts due from the immediate parent undertaking relate to the recharge of costs borne by NETGEAR UK Limited on behalf of NETGEAR International Limited. They are unsecured, interest free and have no fixed date of repayment.

9 Creditors - amounts falling due within one year

	2014	2013
	£	£
Trade creditors	-	34,155
Corporation tax payable	239,813	157,985
Taxation and social security	120,777	95,630
Accruals and deferred income	870,844	1,952,615
	1,231,434	2,240,385

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Called up share capital

	2014	2013
	£	£
Allotted, called-up and fully paid		
1 ordinary shares of £1 each	1	1

11 Profit and loss account

	£
At beginning of year	2,639,476
Profit for the financial year	1,128,120
At end of year	3,767,596

12 Reconciliation of movements in shareholders' funds

	2014	2013
	£	£
Profit for the financial year	1,128,120	1,009,406
Share-based payment reserve (note 14)	195,890	166,831
Increase in shareholders' funds	1,324,010	1,176,237
Shareholders' funds at beginning of year	4,034,387	2,858,150
Shareholders' funds at end of year	5,358,397	4,034,387

13 Financial commitments

Annual lease commitments under non-cancellable operating leases are as follows:

	2014		2013	
	Motor vehicles	Land and buildings	Motor vehicles	Land and Buildings
	£	£	£	£
Operating leases which expire:				
- within 1 year	2,929	-	15,629	-
- within 2 - 5 years	34,083	54,247	22,893	54,247
	37,012	54,247	38,522	54,247

14 Share-based payments

NETGEAR Inc, the company's parent undertaking, operates a long term incentive plan for employees whereby share options in NETGEAR Inc and restricted stock units in NETGEAR Inc are awarded to employees. The plans are equity settled share based payment schemes as defined by FRS 20. The vesting period of instruments will vary but the vesting period of options do not exceed ten years and the vesting period for restricted stock units is not less than three years.

NOTES TO THE FINANCIAL STATEMENTS - continued

14 Share-based payments (continued)

Share-based payments reserve	2014 £	2013 £
At beginning of year	1,394,910	1,228,079
Employee share options	195,890	166,831
At end of year	1,590,800	1,394,910

Stock options

Movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2014		2013	
	Average exercise price per share $	Number of options	Average exercise price per share $	Number of options
At beginning of year	33.15	64,495	31.81	49,656
Granted	-	-	36.80	21,000
Exercised	23.13	(7,598)	25.52	(2,897)
Cancelled	35.65	(1,854)	33.77	(3,264)
At end of year	34.55	55,043	33.15	64,495
Exercisable at end of year	33.87	37,824	30.13	28,924

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date: Weighted Average Remaining Contractual Life (In years)	Ranges of exercise prices $	Weighted average exercise price 2014 $	Shares 2014
4.62	10.99-21.54	17.83	1,992
5.39	23.25-23.25	23.25	750
3.03	28.79-28.79	28.79	132
6.30	32.55-32.55	32.55	4,583
7.30	33.83-33.83	33.83	9,233
5.94	33.92-33.92	33.92	7,909
8.10	36.80-36.80	36.80	10,062
7.81	38.16-38.16	38.16	997
2.56	38.92-38.92	38.92	500
7.09	40.01-40.01	40.01	1,666
		34.55	37,824

NOTES TO THE FINANCIAL STATEMENTS - continued

14 Share-based payments - continued

Valuation and expense information

The fair value of each share option award is estimated on the date of grant using the Black-Scholes-Merton option valuation model and the weighted average assumptions in the following table. The expected term of options granted is derived from historical data on employee exercise and post-vesting employment termination behavior. The risk free interest rate is based on the implied yield currently available on U.S. Treasury securities with an equivalent remaining term. Expected volatility is based on a combination of the historical volatility of the ultimate parent company's stock as well as the historical volatility of certain of the ultimate parent company's industry peers' stock. The ultimate parent company estimated the forfeiture rate based on its historical experience.

	Stock Options 2014	Stock Options 2013
Expected life (in years)	4.4 years	4.4 years
Risk-free interest rate	1.42%	0.74%
Expected volatility	42.60%	50.32%
Dividend yield	0%	0%
Weighted-average fair value at grant date	$11.95	$15.16

Restricted stock units

Restricted stock units as of 31 December 2013 and changes during the year ended 31 December 2014 were as follows:

	2014 Weighted average grant date fair value $	Number of Options
At beginning of year	55.31	6,870
Granted		7,434
Forfeited		(2,194)
At end of year	35.58	12,110

The fair value of restricted stock units is based on the fair value of the Netgear Inc shares on the date of grant.

15 Pension

The company operates a defined contribution scheme. The charge for the year was £104,638 (2013: £95,897). There were contributions due at year end of £15,154 (2013: £13,187).

16 Related party transactions

Transactions with entities that are part of the group or investees of the group, qualifying as related parties, are not disclosed as the company is exempt from such disclosure under paragraph 3 (c) of FRS 8 - 'Related Party Disclosures'.

NOTES TO THE FINANCIAL STATEMENTS - continued

17 Scope of financial statements and ultimate controlling parties

The financial statements have been prepared for the year ended 31 December 2014. Comparatives are shown in respect of the year ended 31 December 2013.

The directors regard NETGEAR International Limited, a company registered in the Republic of Ireland, as its immediate parent company and NETGEAR Inc., a company registered in the USA, as the ultimate parent company.

NETGEAR Inc., incorporated in the United States, is the company's parent undertaking. The company's financial statements and trading activities reflect the effects of this relationship. NETGEAR Inc. is the only company for which group financial statements are drawn up and of which the company is a member. The registered office of NETGEAR Inc. is 350 East Plumeria Drive, San Jose, California 95134-1911, USA. Copies of NETGEAR Inc. consolidated financial statements can be obtained from The Secretary, NETGEAR Inc., 350 East Plumeria Drive, San Jose, California 95134-1911, USA.

As the company is a wholly owned subsidiary of NETGEAR Inc., the group financial statements of which are publicly available, advantage is taken of the exemptions from disclosing transactions with group companies and from presenting a cash flow statement.

18 Approval of the financial statements

The directors approved the financial statements on 17 September 2015.